Before the
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Washington, D.C.

In the Matter of: DETERMINATION OF RATES AND TERMS FOR MAKING AND DISTRIBUTING PHONORECORDS (Phonorecords IV)	Docket No. 21–CRB–0001–PR (2023–2027)

WRITTEN DIRECT STATEMENT OF COPYRIGHT OWNERS

VOLUME VI.A

PUBLIC VERSION

COEX-1.1
RESTRICTED
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COEX-1.2
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COEX-1.5
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COEX-2.1

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In the Matter of: DETERMINATION OF RATES AND TERMS FOR MAKING AND DISTRIBUTING PHONORECORDS (PHONORECORDS III)	Docket No. 16–CRB–0003–PR (2018–2022)

WITNESS STATEMENT OF PETER S. BRODSKY

1. My name is Peter Brodsky and I am Executive Vice President, Business and Legal Affairs at Sony/ATV Music Publishing LLC ("SATV"). I make this statement to:

a) explain the important role that SATV and other music publishers play in the discovery and development of songwriters and the creation and distribution of music;

b) discuss the value that songwriters and publishers like SATV provide to interactive streaming and limited download services ("Digital Services" or "Services"), record labels and music consumers;

c) explain why and how I believe the Digital Services, and the current statutory rate structure, have failed to adequately compensate songwriters and publishers for the value they provide to the Digital Services and their users;

d) discuss SATV's considerations in granting licenses, including to Digital Services and other online services, and the rates and terms of some of the direct license agreements that SATV has made with such services; and

e) explain why I believe that, applying the criteria set forth in Section 801(b) of the Copyright Act, the mechanical royalty rates paid by Digital Services and record labels need to be increased.

I. PROFESSIONAL BACKGROUND

2. I am an attorney by training and was admitted to the New York State bar in 1990. I graduated from Skidmore College in 1986, and earned my law degree from Brooklyn Law School in 1990. From 1990 to 1996, I was an associate at the law firm White & Case LLP.

3. I was hired by BMG Music Publishing in 1996. At BMG Music Publishing, I ultimately rose to Head of Business and Legal Affairs. I left BMG in 2007 to join SATV in my current role, and I have now been involved in the music publishing industry for twenty years.

4. As Executive Vice President, Business and Legal Affairs at SATV, I oversee the business and legal affairs department, which is responsible for, among other things, the licensing of SATV's musical works to various music users, including Digital Services. I am personally responsible for SATV's licensing of online services in the United States (and I also play a role in such activities outside of the United States), including Digital Services such as participants Amazon, Apple Music, Google Play and Spotify. I report to the CEO of SATV, Martin Bandier.

II. SATV AND EMI

5. In June 2012, following the purchase of the EMI Music Publishing companies ("EMI") by a group of investors including Sony Corporation of America (which now owns SATV), SATV undertook administration of EMI on behalf of the owners of EMI. The various EMI music publishing companies as a group remain separate entities but, under the relevant administration agreement, SATV is now responsible for managing the business of the EMI companies, including licensing EMI's catalog, promoting EMI's songwriters, and collecting and distributing royalties on their behalf. I believe that, including the administration of the EMI catalog, SATV now owns or administers the largest catalog of musical compositions in the world, with over [redacted] songs written by [redacted] songwriters.

6. SATV and EMI, together, control many of the most successful and valuable music catalogs of all time, including Jobete (Motown), Lennon/McCartney, Leonard Cohen, Bob Dylan, Duke Ellington, Leiber/Stoller and Carole King, and songs written by countless contemporary artists such as Alicia Keys, Lady Gaga, Miranda Lambert, Pharrell Williams, Sara Bareilles and Taylor Swift.

7. The catalog of works owned or administered by SATV and EMI includes many of the world's best known and most popular songs, including "Ain't No Mountain High Enough," "All You Need Is Love," "Blue Moon," "Bohemian Rhapsody," "Can't Take My Eyes Off You," "Daydream Believer," "Every Breath You Take," "Have Yourself A Merry Little Christmas," "Hey Jude," "How Sweet It Is," "I Heard It Through The Grape Vine," "The James Bond Theme," "Let's Get It On," "Let It Be," "Mamma Mia," "Maggie May," "Over The Rainbow," "Shout," "Singin' In The Rain," "Start Me Up," "That's The Way (I Like It)," "The Loco-Motion," "We Are The Champions," "We Will Rock You," "What's Going On," "Wild Thing," "Yesterday," "You've Got A Friend" and "You've Lost That Loving Feeling," to name just a few.

III. THE PUBLISHERS' ROLE IN THE CREATION AND DISSEMINATION OF MUSIC

8. Without songs, there would be nothing for musicians to record or for artists to perform. Without songs, the record industry could not produce and distribute billions of dollars' worth of music each year. Without songs, Digital Services would have no content to offer to music fans and to build their consumer base and their enterprise values. In truth, there would be no Digital Services if there were no sound recordings for them to stream to consumers, and there would be no sound recordings if there were no songs to record. Much of the music industry and its value ultimately derives from the unique and irreplaceable creativity of songwriters.

9. Music publishers, like SATV, play a significant role in the creation and dissemination of songs. They discover new songwriters. They provide advances and other financial support to songwriters so that they can focus on writing music. They arrange collaborations and provide other creative support to songwriters. They promote songs to recording artists and record labels so that they may be recorded, and to other licensees such as filmmakers, television producers and advertisers. They negotiate and administer licenses for the reproduction, performance, synchronization and/or distribution of the songs, including licenses with Digital Services. And they take other steps to protect songwriters' interests in their copyrights (such as copyright registration and litigation). In sum, publishers support songwriters' creation of songs, work to make those songs widely available so that they may be enjoyed and experienced by as many people as possible and help songwriters realize the economic value from their creative works so that they have a strong incentive to continue to create. Each of these roles of the music publisher is discussed in greater detail below.

10. At the outset, it should be noted that there are several different types of songwriters. There are "pure" songwriters who only write songs that are recorded and performed by others. For these writers – who do not sell records, concert tickets or merchandise – their income and ability to support themselves and their families is largely dependent on the license fees earned from the songs they write. There are "singer-songwriters" or "artist-songwriters" who both write and perform their own music (and therefore also generate income from recordings, concerts, merchandise and/or personal appearances). There are also "producer-songwriters" who, in addition to writing songs, perform the functions typically ascribed to music producers, such as selecting and arranging songs, coaching and guiding the recording artists, and

supervising the recording, mixing and mastering process (and therefore, unlike "pure" songwriters, also participate in royalties from recordings).

11. SATV also represents the songs of countless retired or deceased songwriters. Many retired songwriters (and heirs of retired or deceased songwriters) are elderly and, like the "pure" songwriters, their income and ability to support themselves and their families is largely dependent on the license fees earned from their compositions.

A. Discovering Songwriters and the Role of A&R

12. Discovering talented songwriters is one of the most important functions of a music publisher.

13. SATV and other music publishers spend a substantial amount of time and money looking for new talent. They frequently take risks on unproven songwriters, discovering and signing new talent at the earliest stages of their careers. And they incur significant expenses developing the talents of those songwriters that they have signed, with little certainty as to whether those writers will ultimately become commercially successful.

14. The most common way that we (and other music publishers) discover musical talent is through Artist & Repertoire ("A&R") staff. At SATV, we refer to our A&R staff as our "Creative Department." In the United States alone, we employ [redacted] full-time employees in our Creative Department and [redacted] additional full-time employees worldwide. SATV has Creative/A&R teams strategically positioned in the five main music hubs of North America: New York, Los Angeles, Nashville, Miami and Toronto. SATV also has Creative/A&R teams in twenty-one countries around the world, with major international hubs in London, Stockholm and Sydney.

15. Our Creative Department discovers talent in a variety of ways. They attend or "scout" live performances of up-and-coming bands and singer-songwriters at live venues, showcases and similar events throughout the world. They search the Internet, including on sites such as [redacted] in an effort to identify new talent and to collect data on trends that will help them determine whether a particular type of song or songwriter will be successful. And, because discovering new talent is largely relationship-based, and because of the reputation we have developed over the years, our creative professionals (and other members of our executive team) frequently discover songwriters through their relationships with managers, attorneys, record label executives and producers. Managers and others with whom we have relationships often bring leads to our attention or send us demos made by young or aspiring songwriters, and our Creative Department staff comb through these demos looking for the next great songwriter. New songwriters whom we may be interested in signing or developing are often invited to our offices to showcase their material.

16. We frequently identify and sign talent at the earliest possible stage, which in many cases is before a record deal is entered into. In fact, record companies typically will invest in talent only when their abilities are obvious and prospects for commercial success are more assured. For example, before Lady Gaga became a world famous recording artist, she was an intern at Famous Music, which was later acquired by SATV. After she was dropped by her record label, she worked with SATV producer RedOne and SATV writer Rob Fusari to refine her sound and to create her breakthrough hit "Just Dance" (in fact, she calls out RedOne by name at the start of the track), and, as a result, signed a new record deal with Interscope Records.

17. The search for talent is an exhaustive process. Few leads bear fruit. Our Creative Department must sift through hundreds of prospects to discover one songwriter with whom

SATV wishes to enter into a contract and to develop. Most "pure" songwriters that we sign are relatively unknown at the time we sign them.

18. Despite the overwhelming odds, by virtue of the efforts of our Creative Department, we have been able to find and sign talented songwriters from all over the world. Some of our Creative Department's most successful signings and the artists they placed songs with (in parentheses) are Greg Kurstin (Adele, Pink, Beck), Jack Antonoff (Taylor Swift, Lorde, Sarah Bareilles), Pharrell Williams (Kendrick Lamar, Little Big Town, Robin Thicke), Rick Nowels (Lana del Rey, Rachel Platten), Boi-1da (Drake, Rihanna, Chris Brown) and J.R. Rotem (Fall Out Boy, Gwen Stefani).

19. SATVs and EMI's roster currently includes [redacted] active songwriters and producers. Notable signings during 2015 and 2016 include Cam, Fetty Wap, French Montana, Leon Bridges, The Struts and Walk The Moon.

20. A few examples of recent signings illustrate the different ways we find previously unknown talents and assess their abilities.

21. We frequently discover songwriters through relationships with managers. Our Senior Vice President, Head of East Coast A&R, Rich Christina, discovered Jessie J through two managers who work with young songwriters. We signed Jessie after she had recorded an album for the label Gut Records, which went bankrupt before any material was released. Rich helped Jessie set up songwriting and recording sessions and helped her write songs for Chris Brown and Miley Cyrus. Rich then helped Jessie get a record deal with Lava Records by showcasing her songs for Lava's president, Jason Flom, with whom he had a relationship. Another recent signing who we discovered through a relationship with a manager is Phoebe Ryan, who now has a song called "Chronic" which is starting to do well.

22. We discovered the songwriters Olivia O'Brien and Julia Brennan through our proprietary data research program [redacted] Olivia O'Brien now has a big hit with the song "I Hate U, I Love U," which she co-wrote with the songwriter-artist Gnash (also signed to SATV), who produced and recorded it. Julia Brennan has recently started to have success with her song, "Inner Demons," which she also recorded.

23. We also discover songwriters through our relationships with other writers who are on our roster. The hugely successful songwriter-artist Drake is an example. We publish Drake. Drake has built a team of songwriters to help him write and produce his songs. Because of our relationship with Drake and his team, [redacted] of those writers are signed to us. Some of the writers we brought to Drake's team and some were brought by him to us. We maintain the relationships with these writers and help them get work with artists in addition to Drake.

B. <u>Supporting Songwriters – Advances and Other Financial Support</u>

24. Once we discover a talented songwriter we wish to work with and develop, we negotiate an agreement with the writer (in most cases through his or her legal representative and manager).

25. The terms of the agreement vary under the circumstances. Typically, they are for a fixed period of time (e.g., for three years, with an option to extend the term for one or two years if the songwriter's career is developing well), or until delivery of a certain number of songs or an album (e.g., ten full songs, with the option for SATV to pick up the next album or group of songs). Generally, the relationship between songwriter and publisher lasts for many years.

26. The agreements confer upon the publisher various rights to exploit the creative output of the songwriter, including: the right to license the reproduction and distribution of the songwriter's musical works (in sound recordings or in audio-visual works); the right to license the public performance of such works (and to register such works with relevant performing rights organizations ("PROs"), such as ASCAP and BMI, so that such societies can grant performing rights licenses); the right to license the synchronization of such works in timed relation with visual images; and the right to license the publication or display of the lyrics and/or sheet music of such works. The publisher has an obligation to collect the royalty revenues from these licenses and to account and pay them to the songwriter in accordance with the revenue allocation ("split" or "share") provisions of the agreement.

27. While the revenue allocation provisions vary from agreement to agreement, there are typically three types of agreements. Under what was previously the "standard" or "traditional" songwriting contract, the writer's share of royalties was typically 50%. Such deals are now a rarity. Today, most agreements embody "co-publishing" deals, where the writer's share is typically 75% (i.e., the songwriter receives his or her 50% writer's share plus 50% of the (50%) publisher's share for a total of 75%). Also common are administration agreements, where no shares of the copyright are transferred, and the songwriter receives 100% of the royalties after deduction by the publisher of an administration fee [redacted].

28. The average publisher's share of royalties has been decreasing over time. As I mentioned, the previously "standard" 50-50 split is no longer the starting point in our negotiations with songwriters. Negotiations now typically start at 75% (in favor of the writer), and some of the most successful writers now demand and obtain shares as large as [redacted]. (Note also that, unlike agreements between recording artists and record

companies, which often contain significant deductions against artist royalties for items such as promotional goods, packaging and video costs, publishers typically don't contract for significant deductions against songwriter royalties.)

29. The contracts that we sign with songwriters almost always require that we pay the songwriter a recoupable – but not returnable – advance against future earnings. A recoupable advance means that if and when the songwriter begins to earn royalties, those royalties are retained by us until the advance is paid back. Note that the (50%) "writer's share" of performance royalties is collected and paid directly by the PRO to the songwriter and is therefore not used by the publisher to recoup the advance. Thus, advances are, for the most part, recouped from mechanical royalties, the (50%) "publisher's share" of performance royalties and synchronization royalties (discussed below) to the extent the songwriter's works are the subject of synchronization licenses.

30. Advances act as a means of providing songwriters with an income so that they may concentrate on writing and developing their talents (rather than having to work one or more jobs in addition to songwriting). These advances help ease the considerable financial challenges faced by songwriters and help make songwriting a more sustainable career choice, particularly since it often takes several years for a song to actually earn any revenue, even after it is recorded and released. Advances are necessary to finance the day-to-day requirements of the songwriter's career, including for professional bills, management commissions, equipment costs, transportation to and from performances, taxes and general living expenses. In sum, advances enable songwriters to survive financially so they can concentrate on developing their talent and creating the musical compositions that are a fundamental source of value for the music industry, and are critical to the survival of songwriters, particularly at the earliest stages of their careers.

31. The size of the advance is freely negotiated and varies depending on a variety of factors, including the perceived risk associated with the financial success of the songwriter. If the songwriter is better-known and/or has already released profitable records in the marketplace, the advance will be on the higher end. If the songwriter is newly-discovered, lesser-known or untested, the advance will typically be less. Competition is also a factor. When there is competition between or among publishers to sign a songwriter, the advance, and the writers' share of royalties, is likely to be greater. Our advances to new and unproven songwriters have in recent years ranged from as little as [redacted]. We have in recent years paid advances of as much as [redacted] to more established writers.

32. As detailed more fully in the witness statement of SATV's Executive Vice President, Finance and Administration, Tom Kelly, in the United States alone, SATV paid [redacted] in new advances in FY2015, and [redacted] in new advances in FY2016. These advances constituted, respectively, [redacted] of SATV's total revenue in those years.

33. Advances are investments in the songwriter's talent based on the anticipated success of the songwriter. There is, however, no guarantee that a particular songwriter's song will be recorded or, if it is recorded, that it will be a success. In fact, only a small percentage of songwriters signed to publishing contracts achieve any significant success. Thus, in most cases, the prospects of fully recouping an advance are uncertain. [redacted] Again, as detailed more fully in Tom Kelly's statement, [redacted].

C. Developing and Nurturing Songwriters – Non-Financial Support

34. Once a publisher such as SATV signs a songwriter, it works to help the writer fully develop his or her talent and to create songs and have them recorded. This requires a substantial investment in time, money and expertise.

35. SATV's Creative Department is dedicated to working with songwriters to develop their songwriting skills. Each of our songwriters works with one or more individuals in that department who review and offer constructive feedback on songs as they are being created and polished.

36. We have built a professional quality recording studio in our Nashville office and lease additional studios in Los Angeles. Our new signings frequently work with their SATV creative teams in one of those studios or in one of our offices to develop their writing skills and, in the case of singer-songwriters, also their performance skills. Our creative teams spend many hours listening to our songwriters' compositions and working with them to create new songs that can eventually be marketed to record labels and artists.

37. Publishers also contribute to the creative process by suggesting collaborations with other artists and songwriters. Many successful songwriters are part of a songwriting team. Teams often include two or more collaborators (co-writers) but, in some genres of music, such as rap or hip hop, teams of as many as eight to ten songwriters create individual songs. We have assisted songwriters in putting together successful writing teams of all sizes and for all genres of music. Some of the successful collaborations we have facilitated include Charli XCX with Selena Gomez and with Carly Rae Jepsen; Brett McLaughlin with the band Capital Cities and with Troye Sivan; and Nolan Sipe with new artist James TW.

38. Frequently, collaborations and song placements result from songwriting camps that we host several times a year. We usually host these camps to assist in the creation of a particular type of song. For example, we host a film and commercial songwriting camp where we invite some of our songwriters who write best for those mediums.

39. While our investments in songwriters – in the form of time, money, human resources and facilities – are substantial, they are, unfortunately, no guarantee of success. Though a very small number of songwriters find success relatively "overnight," most require time and nurturing by our creative staff. Even with our professional guidance, it can take from [redacted] for a writer to achieve commercial success. Our investments, including the advances we pay songwriters who turn out not to be commercially successful are, with rare exception, never returnable. But regardless of our level of success, our investments result in the creation of music which is of fundamental value to record labels and Digital Services and, ultimately, consumers.

D. Promotion of Songwriters and Songs – Licensing, Promotion, Pitching and Placement

40. The financial success of a songwriter to a large degree depends on the promotion of the writer's songs by his or her music publisher. One of the primary responsibilities of publishers like SATV is to promote its songwriters' works to artists, producers and A&R people at record labels; film and television companies; advertisers; and others.

41. Our promotional role is particularly crucial early in the careers of singer-songwriters and producer-songwriters who have not yet been signed to record labels. We have been instrumental in helping many such songwriters obtain record deals by introducing them to our many contacts in the record industry. For producer-songwriters in particular, we help find the best artists for them to work with and seek out opportunities for them to co-write or co-produce

on existing projects. For singer-songwriters, we frequently guide them through the process of obtaining their own contracts with record companies at the appropriate time. Our creative teams are skilled in making the personal and artistic decisions as to songwriters, producers, artists and record companies who will work well together.

42. For example, as noted above, Rich Christina helped Jessie J get her record deal with Lava Records. Rich has, in fact, been instrumental in forging major label artist deals for many of our previously unknown or unsigned artist-writers, including Matthew Koma (Interscope and now RCA), Brian Fallon (Island), The Neighborhood (Columbia) and Young Rising Sons (Interscope). Our creative team also introduced Julia Brennan to several record labels, and helped her choose Columbia Records, which they believed offered her the strongest artist development team. And, in some cases, where we have not been able to find a suitable label, we have released the artist-songwriter's music ourselves. Examples include Elliott Yamin, Ruben Studdard, Roberta Flack and Marc Scibilia.

43. In addition to promoting songs to record companies, we also seek out opportunities to license the synchronization rights ("synch rights") to our songs. Synch rights involve the pairing of a musical work with an audiovisual work, such as a motion picture, television program, television or Internet commercial, or videogame. We have a staff of approximately [redacted] people in the United States, and [redacted] worldwide, dedicated to synchronization placement, which is a critical part of our efforts to increase exposure and obtain financial remuneration for songwriters and their works.

44. In addition to earning revenue for the songwriter from the synch license itself, synchronization uses of songs, on occasion, draw the attention of record labels to singer-songwriters who had previously been neglected. For example, Morgan Dorr's song "4x4ever,"

which he specifically wrote for a Chrysler commercial that we found for him, earned him a label deal with BMG. The inclusion of "Walking On A Dream" by Empire of the Sun in a Honda Civic commercial in 2016 catapulted the band. And Marc Scibilia and Rachel Platten, both of whom we had championed for years, developed their repertoires through our synch writing camp before they were eventually signed to Capitol Records and Columbia Records, respectively.

45. In some cases, synch licenses result in a resurgence of interest in songs that may have slipped from the spotlight, which ultimately leads to increased sales of the full-length recordings. The Honda synch of "Walking On A Dream," discussed above, took place more than seven years after the song's original release, and led the song to finally chart in the United States, making it the band's first Alternative Songs hit here. On May 14, 2016, the rereleased single reached Number 1 on *Billboard*'s Dance Club Songs chart, seven years after having peaked at Number 18 in its first chart run. Similarly, Europe's "Final Countdown" – prominently featured in a GEICO ad – put the song back on the Modern Rock chart during the commercial's airing. The Queen catalog has also received renewed attention, thanks in large part to synch uses of "Bohemian Rhapsody" (Mountain Dew, Cosmopolitan Casino of Las Vegas, Heineken), "We Are The Champions" (Audi, Gatorade) and "You're My Best Friend" (Petco).

46. We also issue public performance licenses for our songs. While most public performance licensing is currently done through performing rights societies, such as ASCAP and BMI, we frequently issue "grand" or "dramatic" performing rights licenses (i.e., licenses to use our musical works in "dramatico-musical" works such as musicals, revues and other works that tell a story). We are fortunate to represent many iconic songs and songwriters, some of whom have been featured in successful theatrical productions which we have licensed and promoted, including "Jersey Boys," "Beautiful: The Carole King Story," "Mamma Mia!," "Motown: The Musical" and

"The Wizard of Oz." These productions have also generated renewed interest in and infused new life in already iconic songs.

E. Protection of Copyrights – Registration and Litigation

47. Music publishers like SATV also invest considerable time, money and expertise in performing vital administrative roles for songwriters, including efforts to protect the copyrights in their songs. These efforts are crucial to songwriters' livelihoods and, ultimately, to the health of the music industry.

48. As a starting point, we register our songwriters' works in our worldwide internal database, with the U.S. Copyright Office and with collecting societies around the world. This ensures that our songwriters' works are licensed through compulsory licensing schemes, where applicable, and the national and foreign collecting societies. These functions are performed by our Copyright Department, which is tasked to manage and monitor our copyrights. Given that we have over [redacted] songs in our catalog, this requires a dedicated staff of nearly [redacted] employees worldwide, approximately [redacted] of whom are in the United States.

49. Another significant administrative obligation of a music publisher is the tracking, collection, payment and auditing of royalties owed to songwriters for the use of their works. This too is a substantial undertaking given the number of songs in our catalog that are earning such royalties, and we have invested in numerous systems and procedures to enable us to do so, and to ensure that our songwriters are being paid all to which they are entitled. For example, we have developed a proprietary copyright and royalty system called "TEMPO," in which I understand we invested [redacted] to build and upgrade. Some of those upgrades were necessitated by the growth of interactive streaming, with its complex royalty formulae and the resulting micro-penny payments it generates. During a typical royalty accounting period, we process

hundreds of millions of lines of data, a number that has been rising exponentially with the growth of streaming.

50. We also serve the important function of protecting the value of our songwriters' works. We accomplish this by representing their interests in copyright infringement actions, other cases that present important issues of copyright law and, of course, proceedings such as this one to establish fair and reasonable royalty rates. For example, we have been significantly involved in ASCAP and BMI rate court proceedings, as well as the Department of Justice's recent inquiry with respect to certain aspects of the ASCAP and BMI consent decrees, the results of which can have a significant effect on the value of our songwriters' works. We have litigated against karaoke and other online infringers, including Grooveshark and (on behalf of EMI) MP3tunes. And we monitor internet infringement and serve take down notices under the Digital Millennium Copyright Act.

51. In sum, our efforts to discover, develop, promote and protect our songwriters in the marketplace is a significant – indeed, critical – portion of our business. Our company is critically engaged in the creative process, and we are proud of the contributions that we have made, and are continuing to make, to the creation and dissemination of music.

IV. THE VALUE THAT SONGWRITERS AND PUBLISHERS PROVIDE TO DIGITAL SERVICES AND THEIR USERS

52. During the time I have worked in the music publishing industry, the music industry has undergone an enormous sea change. Digital Services – including interactive or "on-demand" streaming and limited download services whereby a user can play any song at any time on any device – have become both the present and future of music distribution and consumption. As discussed in more detail below, these types of Digital Services have overtaken both the purchase of compact discs and the digital downloading of music (from services such as iTunes) as the primary way in which people consume music digitally, and are increasing in popularity.

53. For the modern user, connectivity (and portability) is king. Users want to be able to listen to music anywhere, on any one of their many digital devices (including their smart phones and other mobile devices). The ability to play virtually any song at any time in any location is of great value to consumers. Such value is vigorously promoted to consumers by Digital Services, and consumers have paid and are willing to pay for that value. Similarly, advertisers have paid and are willing to pay for the privilege of pitching their wares to consumers using these services.

54. For example, Spotify touts the availability of "millions of songs" on its service, to play "on-demand, anywhere," including on or via mobile, computer, tablet, car, speaker, Playstation®, TV, Android Wear and Web Player.[1] Apple Music promotes "access to over 30 million songs"[2] through iCloud, "so not only will you always be able to access all of your music, but it won't take up any space on your devices."[3]

55. As discussed below, Digital Services' ability to offer all of this music would not be possible without the contributions of publishers and songwriters.

V. THE FAILURE OF THE CURRENT STATUTORY RATE STRUCTURE TO ADEQUATELY COMPENSATE SONGWRITERS AND PUBLISHERS FOR SUCH VALUE

56. Because of the value proposition of "all of the music, anywhere," interactive streaming and limited download services have the potential to create for songwriters and music publishers – who make essential contributions to that value – greater revenues than they are currently receiving. Unfortunately, to date, that potential has not been realized.

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[1] Spotify, https://www.spotify.com/us/ (last visited Oct. 22, 2016).

[2] Apple Music, http://www.apple.com/music/ (last visited Oct. 22, 2016).

[3] Apple iCloud, http://www.apple.com/icloud/ (last visited Oct. 22, 2016).

57. In fact, one would expect that the growth in streaming and the additional value provided to consumers from being able to access virtually any song on any device in any location would result in an increase in mechanical royalties payable to publishers and songwriters. That has not been the case. As detailed in Tom Kelly's statement, [redacted]

58. There are multiple reasons why the growth in, and the additional value provided to consumers from, interactive streaming has not inured to the benefit of songwriters and their publishers. They are discussed in turn below.

A. <u>Explanation of the Current Rate Structure</u>

59. The current rate structure was largely established (by negotiation) nearly ten years ago, when streaming was in its infancy. At that time, no one knew for certain whether streaming would be successful, what effect streaming would have on Subpart A products, such as physical phonorecords and permanent downloads, or even what companies would be doing the streaming (at the time, it was largely believed that the record labels themselves would be providing the streaming services). Also unknown was how the services would ultimately choose to structure

their businesses. For example, the publishers and songwriters did not and could not foresee that some streaming services would be operated by companies that appear to be focused more on customer acquisition than on generating streaming revenue.

60. The current rate structure is, for example, for subscription streaming services, the greater of (x) the greater of (i) a percentage of "service revenue" (as defined in 37 C.F.R. § 385.11) and (ii) the lesser of a per subscriber fee and a percentage of the consideration paid by the service to record labels for the right to stream the sound recordings, in either case, less performance royalties paid by the service; and (y) a per subscriber minimum. The greater amount is the payable royalty pool, which is then allocated to the owners or administrators of the rights in the musical compositions based on the number of plays.

61. Using Spotify's paid subscription service as an example, the rate structure applicable to such service is the "standalone portable subscription service: mixed use" rate calculated as set forth in 37 C.F.R. §§ 385.11-12 with the minimum royalty rate and subscriber-based royalty floor set forth in § 385.13(a)(3). Under that rate structure, Spotify pays the greater of (x) the greater of (i) 10.5% of service revenue and (ii) the lesser of a per subscriber fee of $0.80 and 21% of the consideration paid by Spotify to record labels for the right to stream the sound recordings (the "total content costs" or "TCC" prong), in either case, less performance royalties paid by the service; and (y) a per subscriber minimum of $0.50.

62. For free, non-subscription advertiser-supported services (such as Spotify's free tier), the current rate structure is the greater of (x) the greater of (i) a percentage of "service revenue" (as defined in 37 C.F.R. § 385.11) and (ii) a percentage of the consideration paid by the service to record labels for the right to stream the sound recordings, in either case, less performance royalties paid by the service. There is no per subscriber minimum, presumably

because there are no subscribers (although there are users, which a service could track). The greater amount is the payable royalty pool, which is then allocated to the owners or administrators of the rights in the musical compositions based on the number of plays.

63. While the regulations provide for some differences in the way rates are calculated depending on the particular offering, the discussion below applies generally to all of the rate structures that contain a percentage of revenue tier and/or a TCC subminimum.

B. The Percentage of Revenue Tier Results In Inadequate Compensation To Songwriters and Publishers

64. It appears to me that for at least some of the Digital Services, revenue is less important than building a customer base.

65. Amazon, for example, appears to be using its streaming services to sell its Amazon Prime delivery service and its Echo hand-free, voice-controlled speakers. In fact, Amazon just launched a music subscription service, for which it will charge only $3.99 a month when used on Amazon's Echo hardware.[4] Apple also appears to be using its streaming service to lock consumers into its iTunes ecosystem in order to sell them iPhones, apps and other non-music products. Of course, music publishers and songwriters do not share in the sales of Amazon Echos or Apple iPhones.

66. Even Spotify, which is a "pure" music service, appears to be less focused on generating revenue than on obtaining customers to increase its enterprise value because it is

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[4] Now Streaming: Amazon Music Unlimited, Amazon Press Releases (Oct. 12, 2016), http://phx.corporate-ir.net/phoenix.zhtml?c=176060&p=irol-newsArticle_pf&ID=2211067; Hannah Karp & Laura Stevens, *Amazon's Music-Streaming Service Competes on Price and Robotic Assistance*, The Wall Street Journal (Oct. 12, 2016), http://www.wsj.com/articles/new-amazon-music-streaming-service-costs-echo-speaker-owners-4-a-month-1476255600.

contemplating an IPO.[5] For example, I understand that Spotify has argued that one of its motivations for offering a free service tier is to convert free users to paid subscribers to its "premium" tier. But if Spotify was truly focused on converting free users to paid subscribers, it would differentiate its free tier from its premium tier in a more meaningful way in order to entice consumers to upgrade to a subscription. Spotify could, for example, limit the catalog on its free tier, thereby enticing users who want access to "all of the music" to subscribe. Spotify could enable "background play" – the ability to listen to the music while engaging in other digital tasks, such as e-mailing, instant messaging or web surfing on a mobile device – only for users of its paid premium service. Spotify could limit the number of times a user of the free tier could play the same song, or songs by the same artist. Spotify could also limit a user's access to the free tier to a limited period of time. Spotify does none of these things. Moreover, I believe that Spotify can sell more advertisements than it does. I understand from public reports that Spotify's level of advertising falls well below that of terrestrial radio: Spotify plays approximately 4 ads per hour and broadcast radio 25 ads per hour.[6] These factors lead me to believe that Spotify is more focused on growing and keeping a user base (even if it is largely a non-paying user base) than in growing revenues.

67. The Digital Services' strategies discussed above have resulted in royalties paid by subscription services that, I believe, are very low relative to what we could obtain if negotiations were we not constrained by the compulsory license. The fact that the statutory rate is tied to the Services' revenues as opposed to consumers' consumption – the basis for the rates for Subpart A

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[5] Madeleine Johnson, *Will Spotify Stream Into an IPO in 2017?*, NASDAQ.com (Sept. 23, 2016), http://www.nasdaq.com/article/will-spotify-stream-into-an-ipo-in-2017-cm683941.

[6] Audio, Ad Specs, Spotify: For Brands (Mar. 2015) (Spotify serves 4 30-second ads, i.e., 2 minutes of ads, per hour); Bret Kinsella, *Are Broadcast Radio Ad Loads Sustainable?*, XAPP Media (Mar. 24, 2015), https://xappmedia.com/are-broadcast-radio-ad-loads-sustainable/ (broadcast radio serves 10-14 minutes of ads per hour).

products such as downloads and ringtones (among other rates) – results in publishers and songwriters being paid less on an effective per play basis as consumption increases. I understand that in the fourth quarter of 2015, the effective per play mechanical rate paid to us by Apple for individual users was approximately [redacted]. As consumption increased in the first quarter of 2016, that number was reduced to [redacted]. The effective per play mechanical rate paid by Spotify during the fourth quarter for its subscription service was significantly lower [redacted], and lower still in the first quarter of 2016 (around [redacted]). The effective per play rates paid to us by Spotify for its free service in the fourth quarter of 2015 and the first quarter of 2016 were a microscopic [redacted] and [redacted], respectively. (Note that the large disparity between the effective per play rates paid by Apple and Spotify are due in part to [redacted].)

68. The percentage of revenue prong is problematic precisely because it is not tied to a fixed per play rate. Musical works have inherent value and the Digital Services should pay more when their users stream or play more music.

C. The TCC Subminimum Has Proven Ineffective to Ensure Adequate Compensation to Copyright Owners

69. The subminimum based on a percentage of the consideration paid by the service to record labels for the right to stream the sound recordings (the "total content costs" or "TCC" subminimum) has also proven ineffective to ensure that the publishers and songwriters receive at least a percentage of what the services pay the labels.

70. First, the TCC is capped in the statute. For interactive streaming on standalone portable subscription services, for example, the calculation requires the Digital Services to

compare the percentage of amounts expensed for sound recording rights to an $0.80 per subscriber pool and then use the "lesser of" the two to make the comparison to the 10.5% of revenue prong. Thus, the TCC prong does not actually fix payments for musical works rights to a percentage of payments to labels for sound recording rights. Moreover, because of the per subscriber cap, the TCC subminimum rarely, if ever, comes into play for standalone portable and non-portable subscription services.

71. Second, the Digital Services do not include in the calculation all consideration paid to labels. For example, I understand that some record labels have received equity from Digital Services, including Spotify. My understanding is that the Digital Services have not accounted for that consideration in their TCC calculations, even though the relevant regulation appears to require that it be included. *See* 37 C.F.R. § 385.11 (defining "applicable consideration" to include "anything of value given for the identified rights to undertake the licensed activity, including, without limitation, ownership equity, monetary advances, barter or any other monetary and/or monetary consideration").

D. The Per Subscriber Prong Serves a Useful Purpose But <u>Should Be Increased and Also Applied to Ad-Supported Services</u>

72. The per subscriber minimum, while in our view too low, should be retained as an alternative to a per play rate, in a "greater of" structure, for several reasons.

73. First, it is the current statutory rate prong that is the least subject to manipulation. The Services have to pay the minimum (if it is the greatest of) regardless of whether they have chosen to forgo revenue or to not expense consideration paid to record labels. Second, the per subscriber prong pays copyright owners based on a metric – the number of subscribers – that both the Services and the copyright owners have an interest in growing. [redacted]

[redacted] Not only should the per subscriber minimum, in my view, be retained as an alternative to the per play rate, the regulations should be modified so that it also applies to ad-supported services (i.e., it should be modified to be a "per user" minimum). Ad-supported services provide their customers with access to the exact same catalogs of musical works that the subscription services provide and there is no reason why they should pay less.

E. Services Do Not Even Pay All of the Money Owed to Songwriters and Publishers at Even These Low Rates

74. Another problem is that a significant percentage of the money earned by songwriters and music publishers is not being paid to them by the Digital Services. These Services, despite their status as technology and data companies, have not been able to adequately fulfill their tracking and payment obligations. Indeed, based on recovery of past mechanical royalties for its clients, Audiam – a service that audits, collects and distributes interactive streaming royalties – projects that between 7% to 15% of all earned U.S. streaming mechanicals are either not paid at all, paid in part or paid to the wrong entity.[7]

75. The services claim that their accounting problems are caused by the fact that they have incomplete copyright ownership data. But that is turning copyright law on its head. A copyright user needs to determine ownership and obtain a license prior to copying and distributing a copyrighted work. Indeed, a copyright user cannot even obtain a compulsory mechanical license unless it (a) serves a notice of intention ("NOI") on the copyright owner or (b) if the Copyright Office records do not identify the copyright owner and include an address at

[7] Analysis of Music Streaming Services for 2014, Audiam (2015), *available at* https://docs.google.com/file/d/0BwsIBPX1QCEWTTdqaDNPQnp3UDQ/.

which notice can be served, files an NOI with the Copyright Office. 17 U.S.C. § 115(b)(1). SATV and other publishers recently entered into a settlement agreement with Spotify releasing prior claims relating to this failure, which is also the subject of two currently pending lawsuits that are seeking class certification: *Lowery v. Spotify*, 15-cv-9299-BRO-RAOx (C.D. Cal.); *Ferrick v. Spotify*, 16-cv-0180-BRO-RAOx (C.D. Cal.).

76. The current rate structure also makes it very difficult for songwriters and publishers to determine whether they are being paid correctly. The statutory calculation is complex and many of the required inputs are not easily verifiable by songwriters and publishers and/or are at the discretion of the Digital Services. For example, the calculation gives Digital Services discretion in some cases to decide what constitutes "service revenue" (for example, in the case of allocating revenue to parts of a bundle). Further, it requires that payments of performance royalties be deducted from amounts that are inclusive of mechanical and performance royalties, and that the result be compared to mechanical-only minima. Adopting the Copyright Owners' proposed rates will alleviate the lack of transparency engendered by the current rate structure, as accounting statements will need only show the number of plays of each work and the number of users in a given accounting period.

F. The End Result Is Low Royalty <u>Payments for Even the Most Successful Songs</u>

77. "Fight Song" was a big hit for EMI writer Rachel Platten in 2015. The song was Rachel's breakthrough hit: her first entry on the Billboard 100, where it peaked at Number 6. While we anticipate that Rachel will have a fantastic career, for some songwriters, a hit as big as "Fight Song" represents a once-in-a-lifetime opportunity. Even as recently as five years ago, a song as popular as "Fight Song" would have earned significantly greater mechanical royalty

revenues than those earned by "Fight Song," and I believe the reason is the lower royalties paid by interactive streaming services.

78. "Fight Song" was streamed over [redacted] in 2015 on interactive streaming services. For all of those streams, the interactive streaming services paid just [redacted] in royalties. That includes all mechanical royalties paid to us (on behalf of EMI, which owns [redacted] of "Fight Song" and whose rights we administer), and all performing royalties paid through the PROs to us and to Rachel Platten. Of the [redacted], Rachel received approximately [redacted] (for [redacted] streams). The mechanical royalties earned in 2015 from "Fight Song" from the sales of physical copies and digital downloads totaled [redacted] (of which Rachel received approximately [redacted]). Of course, it appears that the sale of physical copies and digital downloads will only continue to decline.

79. Compare this to a similar hit just five years earlier. "Give Me Everything" by Pitbull peaked at Number 1 on the Hot 100. SATV controls [redacted] of the song. It was streamed approximately [redacted] times in 2011 on interactive streaming services, and (grossing our share up to [redacted] for comparison purposes) the streaming services paid [redacted] in royalties (for all mechanical and performing rights to the publishers and songwriters). However, the song earned [redacted] in mechanical revenues from physical copies and digital downloads.

80. The above clearly demonstrates the negative effect that interactive streaming services have had on the sale of physical product and digital downloads, and the overall mechanical royalties earned by songwriters and their publishers. The royalties paid by the interactive streaming services (taking into account both the mechanical and performance royalties paid) are not making up for the loss of mechanical revenue from the sale of physical

and digital product. This also demonstrates that our revenues do not rise incrementally as streaming activity increases.

81. It is clear that the current structure is broken and must be changed, including to incorporate a per play rate. Without such a change, the increasingly diminishing return to songwriters and music publishers may ultimately lead to a place where it is no longer possible for songwriters and publishers to invest in the creation of new musical works. Without such a change, the industry of creating songs will continue to take a back seat to the fiscal objectives of some of the wealthiest companies on earth, including Google, Apple and Amazon.

VI. DIGITAL SERVICES AND DIRECT LICENSING

A. Incentives to Direct Licensing

82. The currently low statutory rates suppress the rates that we are able to obtain in private negotiations with the Digital Services for direct licenses. It is difficult to convince someone to pay more for something than they have to. Nevertheless, both SATV and the Digital Services do have incentives to negotiate direct licensees, and SATV has entered into numerous direct agreements with Digital Services for interactive streaming and limited downloads and other Subpart B & C Configurations which are covered by the Section 115 compulsory license and for which statutory rates are to be determined in this proceeding.

83. There are several incentives for Digital Services to negotiate direct deals with publishers like SATV. One incentive is to not have to comply with the statutory compulsory license provisions. Those provisions require the service of a notice of intention to obtain a compulsory license ("NOI") for each musical work that a Service wishes to license. 17 U.S.C. § 115(b)(1). Such NOIs must be served *prior to* streaming the work. *Id.* A Service's failure to timely serve an NOI with respect to any particular work renders its streaming of such work an

infringing act. *Id.* § 115(b)(2). By entering into a direct blanket license with a music publisher such as SATV, a Digital Service avoids the burden of having to timely serve NOIs prior to streaming works owned or controlled by SATV and, more significantly, obtains blanket protection against an infringement action from the use of any of our works without having served an NOI.

84. The compulsory licensing provisions further require that a Digital Service deliver to the copyright owners monthly statements of account. *Id.* § 115(c)(5). When publishers and Digital Services make direct deals, accounting is generally required on a quarterly, rather than monthly, basis.

85. SATV likes to make direct deals for several reasons. We like to have a direct contractual relationship with an online service. We also are sometimes able to obtain terms that are not available to us were the Digital Service to obtain a compulsory license. For example, [redacted]

B. Direct Licensing In The Shadow of the Compulsory License

86. Because direct licenses for Subpart B & C Configurations are made in the shadow of the compulsory license – again, it is difficult to get someone to pay more for something than they have to, and in these cases, if a Service does not like a deal we are proposing it can just serve NOIs – the statutory rate generally acts as a ceiling on what the copyright owners can obtain in a negotiation.

87. In that context, SATV has made deals with virtually every Digital Service making and distributing interactive streams and/or limited downloads (and other Subpart B & C Configurations). [redacted]

88. The Digital Services with which we have entered into direct licenses [redacted].[8]

[8] CO Ex. 3.1A, [redacted]; CO Ex. 3.1B, [redacted]; CO Ex. 3.2A, [redacted]; CO Ex. 3.2B, [redacted]; CO Ex. 3.3A, [redacted]; CO Ex. 3.3B, [redacted]; CO Ex. 3.4A, [redacted]; CO Ex. 3.4B, [redacted];

89. We also made a direct deal with [redacted][9]

CO Ex. 3.5A, [redacted]; CO Ex. 3.5B, [redacted]; CO Ex. 3.6A, [redacted]; CO Ex. 3.6B, [redacted]; CO Ex. 3.7A, [redacted]; CO Ex. 3.7B, [redacted]; CO Ex. 3.8A, [redacted]; CO Ex. 3.8B, [redacted]; CO Ex. 3.9A, [redacted]; CO Ex. 3.9B, [redacted]; CO Ex. 3.10A, [redacted]; CO Ex. 3.10B, [redacted].

[9] CO Ex. 3.11A, [redacted]; CO Ex. 3.11B, [redacted].

90. A lesser-known interactive streaming service with whom we made a direct deal is [redacted]

91. Per our agreement with [redacted][10]

92. Note that, although there is no obligation under the statute to pay an advance, we received advances from [redacted].[11]

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[10] CO Ex. 3.12A, [redacted]; CO Ex. 3.12B, [redacted].

[11] CO Ex. 3.5A, [redacted]; CO Ex. 3.B, [redacted]; CO Ex. 3.4A, [redacted]; CO Ex. 3.4B, [redacted]; CO Ex. 3.6A,

93. We have also entered into direct licenses [redacted] with the following companies for the following Subpart C services: [redacted].[12]

C. <u>Direct Licensing Outside of the Shadow of the Compulsory License</u>

94. While we are not mandated to license any digital service that is not subject to compulsory licensing provisions, in my time at SATV, where I am responsible for licensing digital services, there has never been a situation where a non-infringing digital service that needed a license and could not obtain one via a compulsory licensing regime was unable to obtain a direct license from SATV at a negotiated rate.

95. The reason for this is simple. From SATV's perspective, it is important that Digital Services succeed so that our music is used on as many platforms as possible. We and our songwriters do not make money if we do not broadly license our music. Moreover, we compete vigorously with other music publishers to sign songwriters. Many songs are co-written and, if an

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[redacted]; CO Ex. 3.6B, [redacted]; CO Ex. 3.7A, [redacted]; CO Ex. 3.7B, [redacted]; CO Ex. 3.8A, [redacted]; CO Ex. 3.8B, [redacted]; CO Ex. 3.10A, [redacted]; CO Ex. 3.10B, [redacted].

[12] CO Ex. 3.13, [redacted]; CO Ex. 3.14A, [redacted]; CO Ex. 3.14B, [redacted]; CO Ex. 3.6A, [redacted]; CO Ex. 3.6B, [redacted]; CO Ex. 3.15A, [redacted]; CO Ex. 3.15B, [redacted]; CO Ex. 3.16A, [redacted]; CO Ex. 3.16B, [redacted].

SATV writer's royalty statement reflects that he or she received less money for his or her 50% share of a song co-written with, for example, a Warner/Chappell writer (as reflected on the Warner/Chappell writer's statement) because Warner/Chappell licensed a particular platform but we did not, we will be at a competitive disadvantage. Additionally, as stewards of the [redacted] songs in the SATV and EMI catalogs, written and composed by [redacted] composers and songwriters, it is also our duty to seek fair value for the use of those works.

96. Thus, we have been able to make deals licensing our catalog to digital video services, digital karaoke services, digital music games, digital lyric sites and mobile music apps, none of which are covered by the Section 115 compulsory license.

97. In some of these deals, where we are licensing our musical works to services that are also licensing sound recordings from record companies, we are paid the same royalty as the record companies, consistent with what has historically been the case with synch licensing. In these deals, as is the case with synch licensing, we and the record company are each licensing an intellectual property right to a third party that needs both rights and neither right is subject to a compulsory license that serves to depress the rate obtainable by the licensor.

98. For example, we have entered into direct licenses with [redacted]

[redacted][13] Our ability to negotiate such a most favored nation provision demonstrates that these licensees, negotiating in a free market, consider the musical works to have the same value as the sound recordings.

99. In situations where there the digital service does not need to obtain sound recording licenses – e.g., digital karaoke licenses (where the karaoke company records its own masters) or lyric, sheet music or guitar tablature licenses – we usually receive far greater than 10.5% of revenue. Indeed, in many cases, we receive closer to [redacted] of revenue.

100. For example, we have a deal with [redacted]

[13] CO Ex. 3.17A, [redacted]; CO Ex. 3.17B, [redacted]; CO Ex. 3.18A, [redacted]; CO Ex. 3.18B, [redacted]; CO Ex. 3.19A, [redacted]; CO Ex. 3.19B, [redacted].

[redacted][14]

101. Our deal with [redacted][15]

102. Similarly, [redacted][16]

103. We have granted a lyric license to [redacted]

[14] CO Ex. 3.20A, [redacted]; CO Ex. 3.20B, [redacted].

[15] CO Ex. 3.21A, [redacted]; CO Ex. 3.21B, [redacted].

[16] CO Ex. 3.22A, [redacted]; CO Ex. 3.22B, [redacted].

[redacted][17]

104. In our digital streaming karaoke deals, where users can stream on-demand karaoke versions of SATV songs (i.e., not record label recordings, but re-recordings by karaoke studio musicians with scrolling lyrics), such as those we have made with [redacted], we have received our pro rata share of between [redacted] of the service's gross revenues [redacted].[18]

105. We have a deal with the [redacted]

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[17] CO Ex. 3.23, [redacted].

[18] CO Ex. 3.24A, [redacted]; CO Ex. 3.24B, [redacted]; CO Ex. 3.25A, [redacted]; CO Ex. 3.25B, [redacted]; CO Ex. 3.26A, [redacted]; CO Ex. 3.26B, [redacted].

[redacted][19]

106. I believe that the digital deals we have made outside of the shadow of the compulsory license and that are described in paragraphs 98 - 105 above are free market deals that reflect what the parties believed at the time to provide both a fair return for SATV and its songwriters and a fair income to the digital service.

107. Our deal with the [redacted]

[19] CO Ex. 3.27A, [redacted]; CO Ex. 3.27B, [redacted].

[20] CO Ex. 3.28, [redacted].

[21] *See, e.g.*, [redacted].

108. [redacted]

VII. FOR THE REASONS DISCUSSED ABOVE, AND APPLYING THE SECTION 801(B) CRITERIA, MECHANICAL ROYALTY RATES NEED TO BE INCREASED

109. The increase in mechanical rates proposed by the Copyright Owners is supported by the facts discussed above and adopting the Copyright Owners' rates and terms would further the objectives of Section 801(b) of the Copyright Act, as I understand them, for several reasons.

110. First, providing the services that music publishers like SATV provide – including, as discussed above, discovering, nurturing and providing financial and creative support to songwriters, promoting and making their songs available (by licensing them) to a wide audience, and protecting the copyrights in songs – is an expensive endeavor, and one which is fraught with risk. Although the costs of providing these services, including our A&R costs and the costs of tracking royalties and accounting to songwriters, continue to rise, [redacted]

[redacted]. The proposed increase would help to stem the decline in mechanical royalty revenues, which would help to ensure that songwriters and particularly "pure" songwriters who have no other source of income from their music, can continue to create great new music, which would satisfy two of the objectives of Section 801(b): maximizing the availability of creative works to the public and affording copyright owners a fair return for their creative works. *See* 17 U.S.C. §§ 801(b)(1)(A), (B).

111. Second, as noted above, the current rate structure results in songwriters and publishers being undercompensated for the value they provide. All value in the music industry begins with songs. All other value in the industry derives from the songs. This includes the value of recordings of the songs. It includes the value of Digital Services that depend on the existence of music to sell subscriptions and advertising, to build their user bases and enterprise values and, in many cases, to sell other products and services such as consumer electronics and delivery and other services. And it includes the value to the consumer of access to the massive catalogs of songs that are licensed by the publishers through blanket licenses with the Services or via the compulsory license process.

112. Indeed, one of the greatest values to the consumer of a Digital Service is that the consumer has access to all of the music, everywhere. Both the publishers' direct blanket licenses with the Digital Services and the Digital Services' ability to obtain compulsory licenses for all non-directly licensed works provide the massive catalogs of songs that contribute a substantial part of that value.

113. Under the current rate structure, it appears that some Digital Services have chosen not to maximize revenue. This results in the songwriters and publishers being undercompensated

for the reasons and in the manner discussed above. Adopting a rate structure that ensures a fair return to the songwriters and publishers, regardless of the Services' business models or motives, would achieve one of the objectives of Section 801(b)(1)(B).

114. A rate structure that includes a per play royalty and an alternative per user royalty will go a long way towards alleviating this problem. The CRJs have never had the occasion to decide what is the appropriate royalty to be paid to songwriters and publishers for interactive streaming and limited downloading in order to afford them a fair return for their creative work, and taking into account the other factors in Section 801(b) of the Copyright Act. The current rate structure needs to be changed so that each play of a song is subject to the payment of a fair mechanical royalty.

115. Each song – and, indeed, each stream of a song – has an intrinsic value that does not and should not depend on the fiscal needs or desires of the Digital Services. The intrinsic value of the song, or the stream in which it is embodied, should not be reduced or minimized to enable Digital Services to increase their profits, or to increase their enterprise value in search of a greater share price or an IPO. In establishing the compulsory license, Congress surely could not have had as a goal forcing songwriters and music publishers to subsidize through miniscule royalty payments the growth and consumer acquisition strategies of some of the largest, most profitable companies in the world.

116. The value of the music, which I believe is reflected in market-based transactions made outside of the shadow of the compulsory license, exceeds the current statutory mechanical rate. I believe that the rates proposed by the Copyright Owners are supported by market-based transactions. I further understand that they address the shortfall in the current rates and should be sufficient to ensure that songwriters will have the incentive to create and that publishers will have

adequate resources to nurture and develop songwriters so that music that can be enjoyed by the public will continue to be created and disseminated.

117. At the same time, I believe that the rates proposed by the Copyright Owners will not have any disruptive impact on the Digital Services. I understand that some Digital Services have [redacted]. *See* 17 U.S.C. §§ 801(b)(1)(D).

118. Finally, a rate structure that includes a per play royalty and an alternative per user royalty will result in greater transparency in the accountings by Digital Services to publishers and songwriters as royalties will be easily calculated based on the numbers of streams and users.

119. I urge the CRJs to adopt the Copyright Owners' proposed rates as well as the proposed terms which are designed to ensure that songwriters and publishers realize the full value of those rates.

I declare under penalty of perjury that the foregoing testimony is true and correct to the best of my knowledge, information and belief.

Dated: October 28, 2016

Peter Brodsky

COEX-2.2

The New York Times | https://www.nytimes.com/2018/10/14/business/media/need-a-song-for-your-commercial-try-these-campers.html

ADVERTISING

Need a Song for Your Commercial? Try These Campers

By Janet Morrissey

Oct. 14, 2018

When Bose was trying to find the right song for a commercial promoting its latest wireless headphones in partnership with the National Football League last fall, it didn't dig through catalogs of blockbuster hits from big-name rock stars or hip-hop artists. Instead, it chose a newly written song — "Get Loud for Me" — by a little-known singer named Gizzle.

The song and the ad became hits. People went to Shazam, YouTube and Spotify to find and discuss the track immediately after the ad's release. The song has been streamed more than 4.4 million times, added to at least 67,000 playlists and subsequently used in campaigns for Adidas and the Need for Speed Payback video game.

"We had a good idea that it would probably do well in the sports space, but everything else was a pleasant surprise," said Gizzle, who wrote the song with Mike Sabath.

And it was all thanks to a so-called sync camp.

Gizzle, whose real name is Glenda Proby, had written songs for artists like Puff Daddy, Kanye West and Nicki Minaj, but she wasn't known as a singer. At least, not until she penned the song at one of the camps, multiday gatherings put on twice a year by Sony/ATV Music. There, clients of the music publishing company gather to write songs for use in commercials, movie trailers, TV shows and video games.

Gizzle's song accounts for one of about 300 signed deals involving music created in the camps, said Brian Monaco, the president and global chief marketing officer of Sony/ATV Music. Sony/ATV will share the publishing rights with the artist of any song that's written in the camps.

The camps, which last three to four days, began in 2012 and have been held in cities like Los Angeles, Nashville and Toronto. Mr. Monaco prefers to hold the camps in a studio away from the main areas of a city so that the artists aren't distracted. It has to have at least six rooms that can be used for writing and producing, and a rehearsal space. For one Los Angeles camp, he chose Fonogenic Studios, which is in Van Nuys, Calif., and partly owned by a member of the Foo Fighters.

"I like it because it's a little off the beaten track, so people won't leave in the middle of a session to go to Starbucks, because there's nowhere to go," Mr. Monaco said. He also held a Los Angeles camp at Village Studios, where Bob Dylan, Lady Gaga and others have recorded.

COEX-
2.2

Brian Monaco, president and global chief marketing officer for Sony/ATV, in Nashville. He holds the camps to generate music for ads and other commercial outlets. William DeShazer for The New York Times

Sony/ATV invites 15 to 20 clients to each camp. On the night of their arrival, Mr. Monaco hosts a dinner so everyone can meet. The next morning, he divides them into groups of three to write songs. He will often make them aware of a brand that is looking for a particular type of song for a commercial or a film. Representatives of the brands sometimes attend as well.

Each day, the attendees switch groups.

There can sometimes be creative differences.

"There have definitely been some disagreements, but never deal breakers, never any punches thrown," said Kevin Bard, a singer and songwriter who has attended all the camps. "People disagree on music, but that's kind of what makes it great."

Mr. Monaco recalled one artist who persuaded his group that the song they were working on needed some salty language, forgetting that the music was aimed at a family-friendly commercial audience.

"I said: 'Why would you be cursing? There's no brand that's going to use this,'" Mr. Monaco said.

After that, Sony started having one of its representatives sit in on the sessions. The representatives generally offer guidance if the writing is heading down the wrong path, but they try not to critique otherwise.

"If you start making demands on people's creativity, I think it would ruin the process," Mr. Monaco said.

The groups work from 9:30 a.m. to 6 p.m., although some will keep working until late at night if they're trying to finish or improve a song. On the final day, everyone gets together to listen to all the songs created — usually 20 to 30.

While Sony/ATV's camps are unique, other music companies, like Warner/Chappell, have teams of ad music experts that help brands connect with artists and custom-made music. Ron Broitman, executive vice president and head of synchronization at Warner/Chappell, said he had seen a surge in demand for top songwriters, producers and artists to create music for brands.

"Music can make or break a campaign," said Denise Kohnke, founder of House United, a strategic marketing company.

COEX-
2.2

John Keefe and Daphne Willis, both singer-songwriters, going over a track during the Nashville camp. William DeShazer for The New York Times

Mr. Bard started writing sync songs for Sony while touring with his band Stereo Skyline in 2009 and then opted to do it full time when his band split in 2011. His songs have been featured in commercials for Macy's, Netflix, Yoplait Yogurt, Verizon, Facebook and Jeep, among others. He also wrote the song “Swimming in Stars” for the Netflix movie “The Kissing Booth” at one of the camps.

“It was quite a surreal feeling to see something you created on TV and to see the reaction it had with people, where they were tracking it down and leaving YouTube comments,” he said of his work at the camps. “It opened all of our eyes to the power that TV and film holds.”

One of the camp's big success stories is MoZella, whose real name is Maureen Anne McDonald. She wrote multiple songs for commercials before moving on to collaborations with major artists, including helping to write “Wrecking Ball” for Miley Cyrus and “Love So Soft” for Kelly Clarkson.

When Olivier François, chief marketing officer and head of the Fiat brand, wanted a modernized version of the folk classic “This Land Is Your Land” to play under a Jeep Super Bowl commercial in 2015, Mr. Monaco took the request to a Sony sync camp. Twelve artists created versions of the song, and Mr. François selected Marc Scibilia's soulful rendition. It was the most Shazamed song — searched for on the music-identification app — from the Super Bowl telecast.

“After that, touring picked up, and the awareness of what I'm doing definitely increased,” Mr. Scibilia said. “It's crazy. Pretty astronomical difference.”

Online, people would write, “Love this song and found you through a Jeep commercial,” he said. He has since had about 25 songs synced to commercials, TV shows and movie trailers.

Mr. Scibilia said the camps had given him a chance to make a living writing songs and lifted his profile as a performer.

“It's kind of a portal for people to enter into your world,” he said.

COEX-2.3

Streaming services accounted for nearly 80% of all music revenue in 2019 – TechCrunch

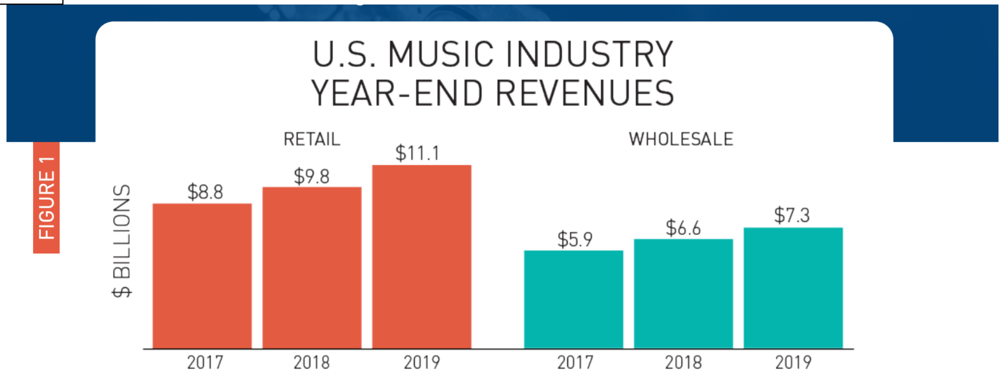
Sarah Perez@sarahintampa / 9:57 AM EST•February 26, 2020

Comment

/ Getty Images

Streaming music services' share of total music revenues is bigger than ever. According to a year-end report from the RIAA, revenues from streaming services grew nearly 20% in 2019 to $8.8 billion, accounting for 79.5% of all recorded music revenues.

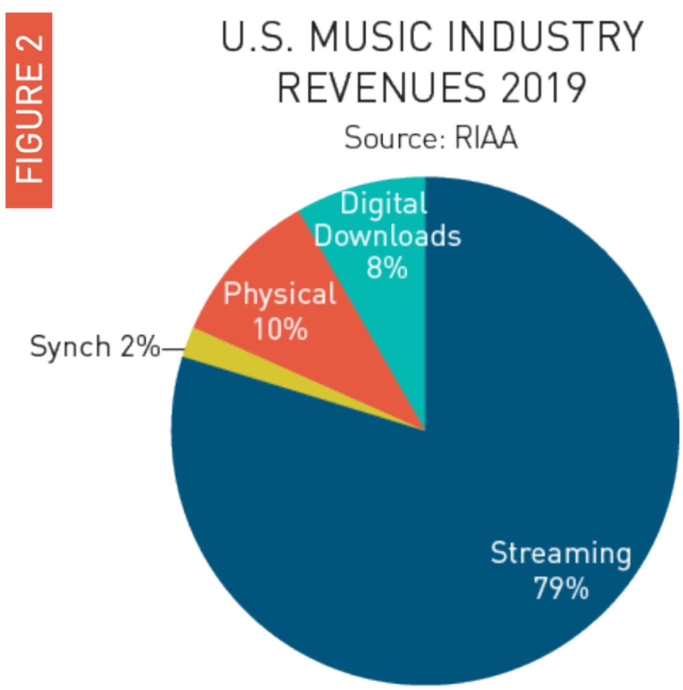
By "streaming," the report is referring to a variety of services, including ad-supported services like Vevo and YouTube, as well as the ad-supported tiers of services like Spotify, plus streaming radio services like Pandora and SiriusXM, and premium subscription services like Spotify Premium and Apple Music.



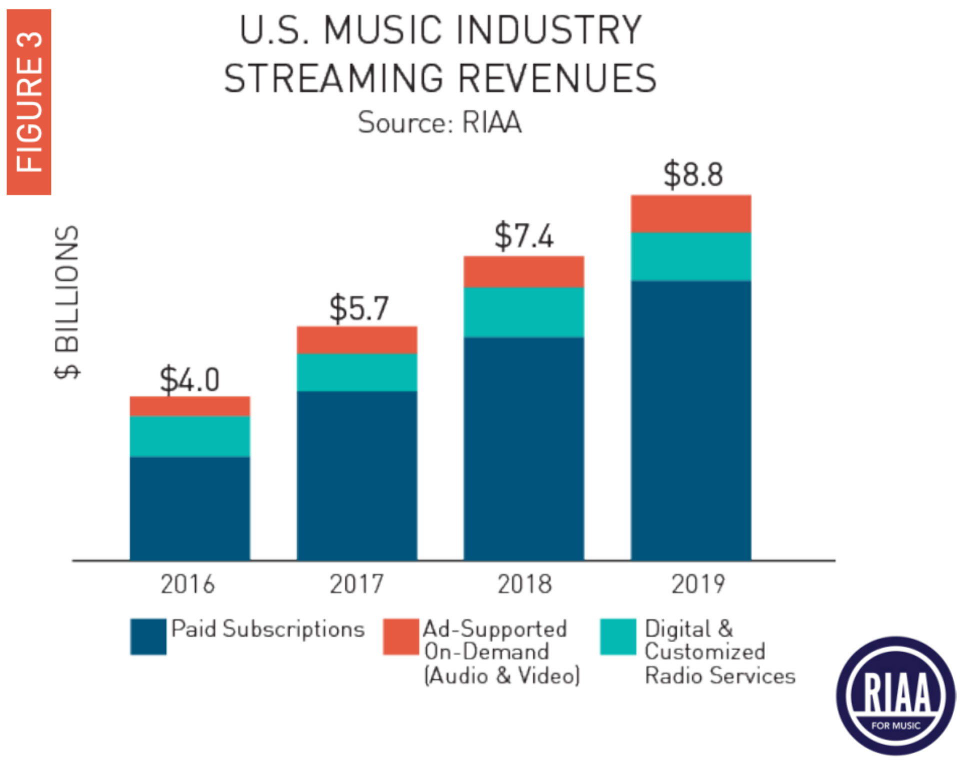
While streaming comes with its own series of challenges for the industry — particularly around how artists, songwriters and publishers get paid — it's driving significant growth for the music industry as a whole.

According to the RIAA, the U.S. streaming market in 2019 was larger than the *entire* U.S. recorded music market just two years ago.

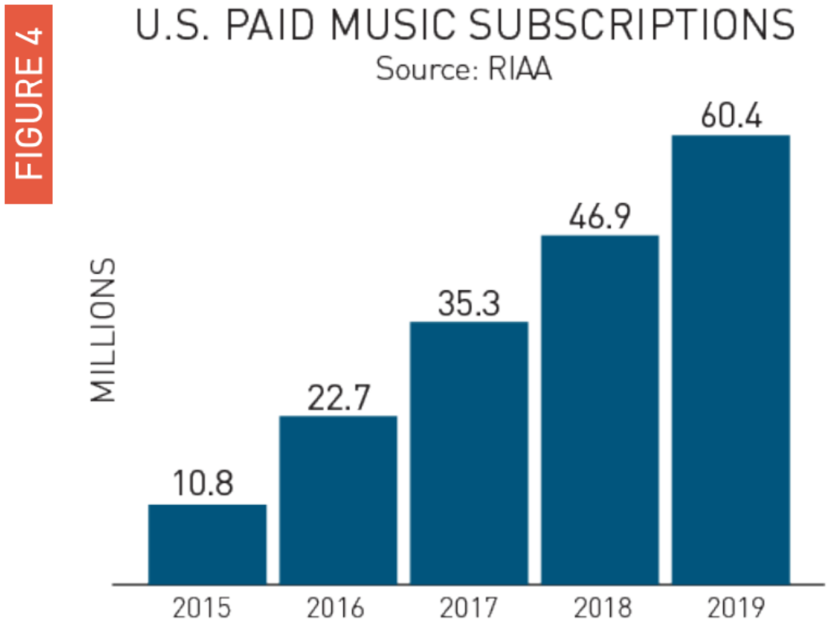
In addition, revenues from recorded music in 2019 grew 13%, from $9.8 billion to $11.1 billion (retail). This represents the fourth year in a row of double-digit growth, which the RIAA attributes to increases from paid subscription services.



Subscription services also accounted for the largest share of revenues and the biggest portion of revenue growth in 2019, with total revenues up 25% year-over-year to reach $6.8 billion. This figure also includes $829 million in revenues from the “limited tier” paid subscription services, like Pandora Plus. Amazon Prime Music is included in this category, too.



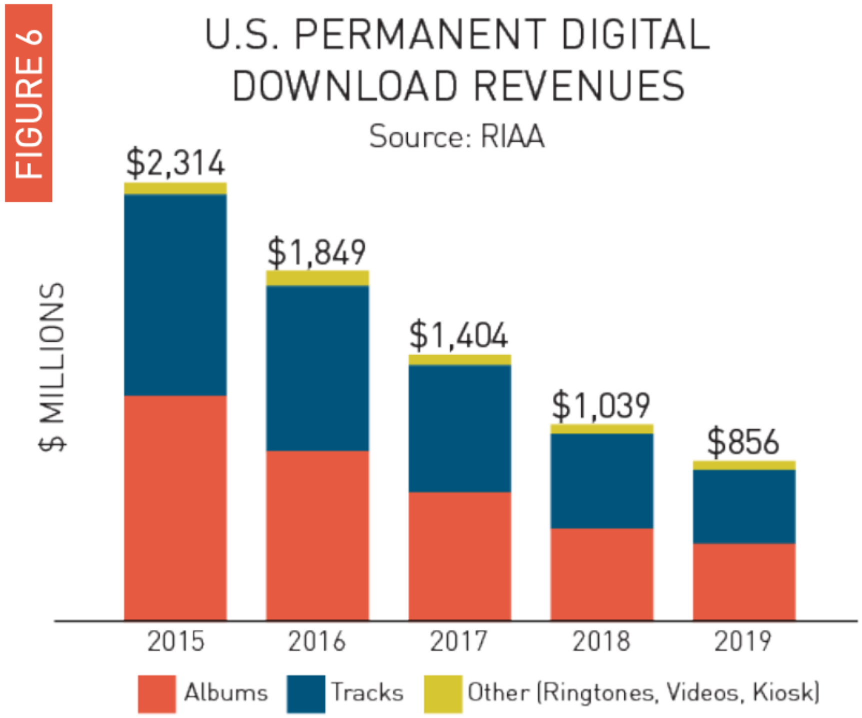
The revenue growth is being driven by a growing number of users willing to pay for music on demand. In 2019, paid subscriptions grew 29%, to 60.4 million, up from 44.9 million in 2018 — an indication that services are being successful in converting some portion of their free, ad-supported customers to paying subscribers over time.



Ad-supported services also grew last year, up 20% from 2018 to $908 million in 2019, when they streamed more than 500 billion songs to more than 100 million listeners in the U.S. Despite their broad reach, ad-supported services only accounted for 8% of total music revenues for the year.

Radio services, meanwhile, declined in popularity, down 4% to $1.16 billion in 2019.

The growth in streaming is also eating away at digital download revenues. In 2019, revenue fell below $1 billion for the first time since 2006 — dropping 18% year-over-year to reach $856 million. Album downloads fell 21% to $395 million, while individual track sales dropped 15% to $415 million.



Like ad-supported streaming, downloads only accounted for 8% of all revenues last year.

Physical products, like CDs and vinyl, were down slightly (0.6%) in 2019 to $1.15 billion. Vinyl actually had its biggest year ever since 1988, to reach $504 million. However, the physical products category only accounted for 4.5% of total music revenues.

COEX-2.4

Premium

Spotify sounds amazing with Premium.

- Unlimited **high-quality streaming** access to over 50 million songs.
- **Play music without an internet connection**.
- Travel abroad with no limitations.
- Ad free music.
- Unlimited skips.

Tip: Check out **how Premium compares to our other subscription options**.

Get started

Go to **www.spotify.com/premium** to sign up.

If you've never had Premium before, **try it for free**!

Note: You can't subscribe to Premium through the app for iPhone and iPad. For some background on that, check out **timetoplayfair.com/facts**.

FAQ

How much does Premium cost?

Which payment methods do you accept?

COEX-2.4

Why isn't my Premium subscription working?

How do I cancel?

Last updated: 15 February, 2021

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Yes No

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For the Record

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For Artists

Developers

Advertising

Investors

COEX-2.4

Vendors

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Web Player

Free Mobile App

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COEX-2.5

COEX-
2.5

amazon music UNLIMITED

UNLIMITED ACCESS TO 75 MILLION SONGS

Free for 30 days. Cancel anytime.

Try it free

$7.99/month after. New subscribers only. Terms apply.

By clicking "**Try it free**," you agree to the Terms of Use and authorize us to charge your default card, or another card on file, **$7.99 per month plus any taxes after your trial. Your subscription continues until cancelled. Cancel renewal any time by visiting Your Amazon Music Settings**. Promotion Terms and Conditions apply.

UNLIMITED ACCESS TO ANY SONG

ON DEMAND MUSIC, ALWAYS AD FREE

LISTEN OFFLINE WITH UNLIMITED SKIPS

FOLLOW YOUR FAVORITE PODCASTS

Try it free

$7.99/month after. New subscribers only. Terms apply.

By clicking "**Try it free**," you agree to the Terms of Use and authorize us to charge your default card, or another card on file, **$7.99 per month plus any taxes after your trial. Your subscription continues until cancelled. Cancel renewal any time by visiting Your Amazon Music Settings**. Promotion Terms and Conditions apply.

COEX-2.5

COEX-2.6

COEX-2.6

Store Mac iPad iPhone Watch TV Music Support

Apple Music

Overview Features Try it free*

Introducing Apple One. Bundle your favorite services and enjoy more of Apple for less. Learn more ›

Hear sound all around.

Try it free

Apple Music is available in iTunes, and for iOS and Android devices.

COEX-2.6

Play over 75 million songs in lossless audio, at no extra cost.[1]

Hear sound all around you with spatial audio with dynamic head tracking.[2]

Download your favorite tracks. Play them offline.

Get exclusive playlists and live radio.

COEX-
2.6

Listen across all of your devices.

Try it free

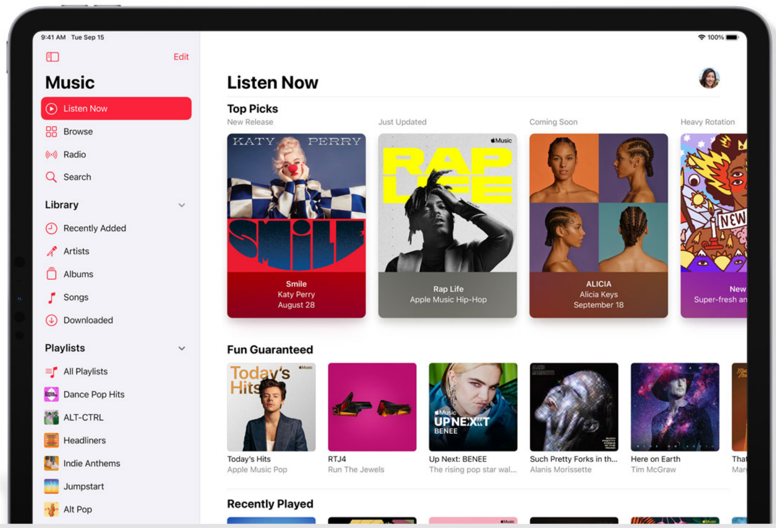
It's as easy as it sounds.

Immerse yourself in spatial audio with dynamic head tracking. And unlock amazing definition with lossless audio.

Listen Now is the easiest way to play what

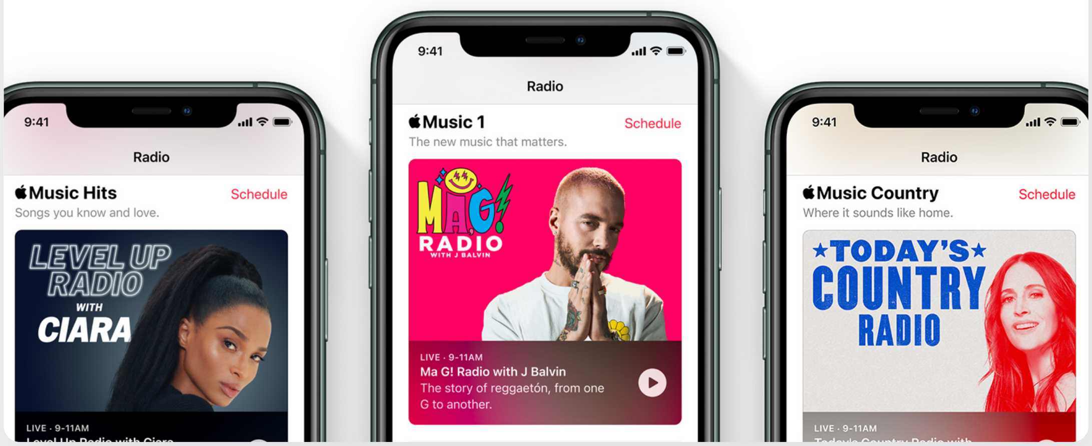
COEX-2.6

you love and discover something new.

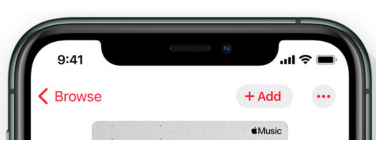


Tune in to three live radio stations hosted by artists playing today's hits, classics, and country.[3]

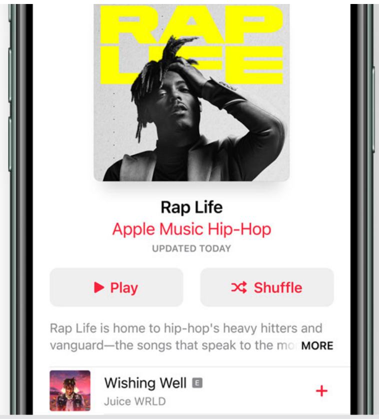
Listen live for free ↗



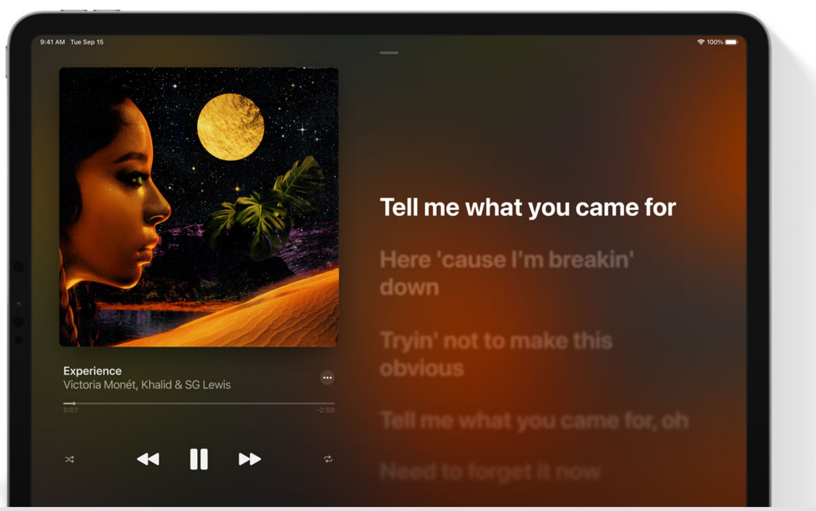
Tap into our editors' picks with curated playlists.



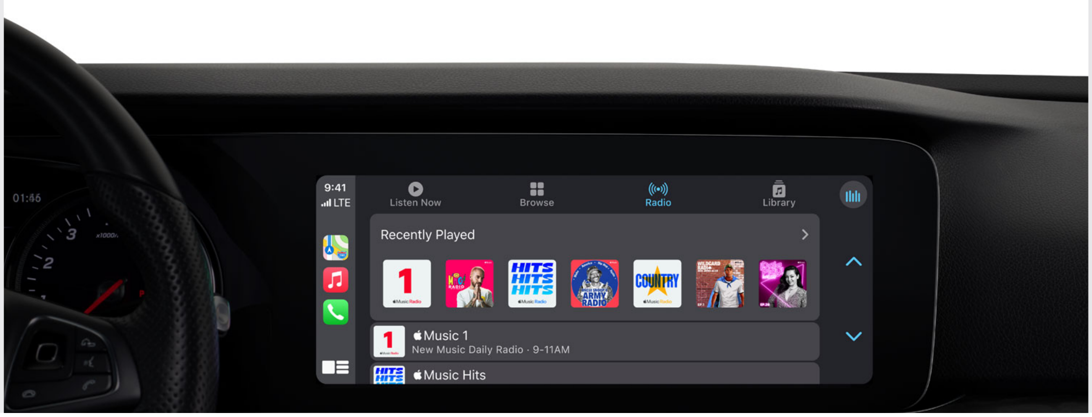
COEX-2.6



Sing along, tap ahead, or just listen with lyrics view — always on unless you turn it off.



Enjoy your Apple Music experience in the car with CarPlay.

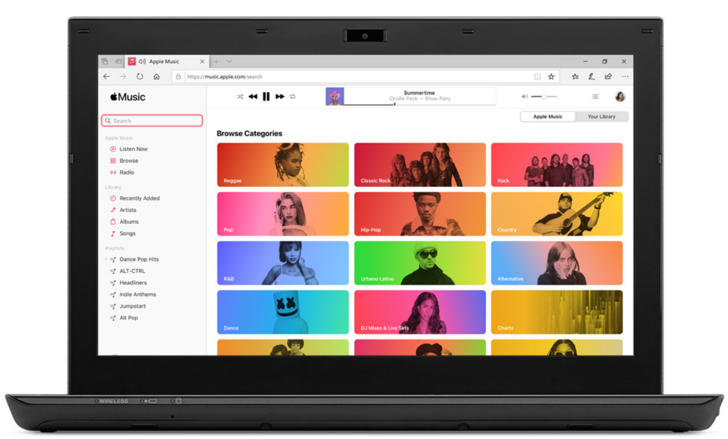


COEX-2.6

Download and stream music straight to your Apple Watch when you're away from your iPhone.

Get the full Apple Music experience online.

Go to music.apple.com ↗



COEX-
2.6

Learn more about Apple Music features ›

New and noteworthy.

Now Playing

Special Announcement

Love For Sale

Tony Bennett & Lady Gaga

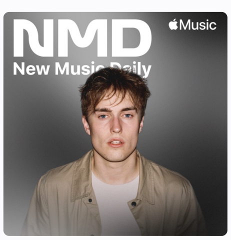
Featured Playlist

Sleep Sounds

Updated Playlist

Rap Life

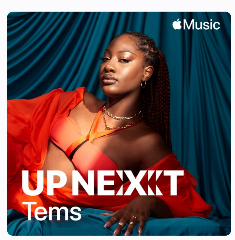
Featured Playlists



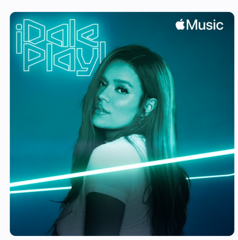
New Music Daily

Today's Hits

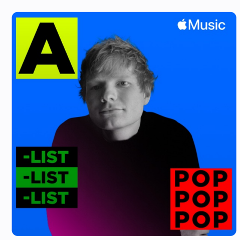
Rap Life



Up Next



¡dale Play!



A-list Pop

COEX-2.6

Start your free trial.

No commitment. Cancel anytime.

Apple Music is available in iTunes, and for iOS and Android devices.

	Student[4] $4.99/mo. Try it free	Individual $9.99/mo. Try it free	Family[5] $14.99/mo. Try it free
Play tracks in Dolby Atmos and hear over 75 million songs in lossless audio, ad-free[1]	✓	✓	✓
Access your entire library from any device and listen online or off	✓	✓	✓
Free trial with no commitment*	✓	✓	✓
Stream ad-free music and music videos	✓	✓	✓
Download 100,000 songs to your library	✓	✓	✓
See what your friends are listening to	✓	✓	✓
Original shows, concerts, and exclusives	✓	✓	✓
Live and on-demand radio stations hosted by artists	✓	✓	✓
Access for up to six people			✓
A personal account for each family member			✓
Share your existing music library however you want			✓

One

tv

COEX-2.6

Bundle Apple Music with up to five other great services. And enjoy more for less.

Try Apple One free[6]

Learn more ›

In case you missed anything.

What is Apple Music?

How can I listen to Apple Music?

What does it cost?

What is Dolby Atmos music?

How can I listen to Dolby Atmos music?

What is lossless audio?

How can I listen to lossless audio?

Is there any additional cost to listen to Dolby Atmos music or lossless audio?

Can I share with my family?

Is there an Apple Music student subscription?

Are there commercials?

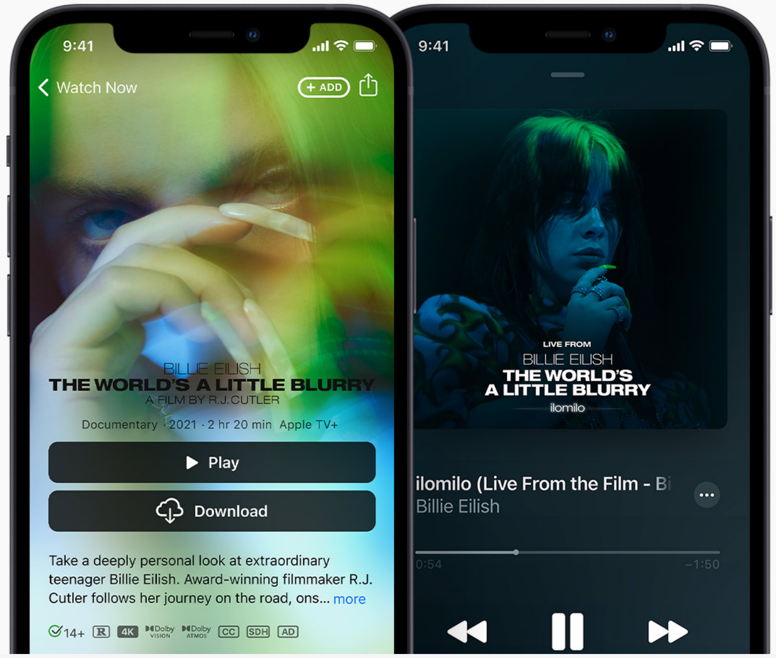
Is Apple Music the same as iTunes?

COEX-2.6

Apple Music Student Plan now comes with Apple TV+ for free.[7]

Try it free

Learn more about Apple TV+ ›



* New subscribers only. $9.99/month after free trial. Plan automatically renews until cancelled. Terms apply.

1. 20 million songs in lossless audio at launch with the full 75 million songs available by the end of the year.
2. Compatible hardware and software required. Not all content available in Dolby Atmos. Head tracking feature requires iPhone or iPad paired with AirPods Pro or AirPods Max.
3. Apple Music 1, Apple Music Hits, and Apple Music Country are available without an Apple Music subscription.
4. College students only. Verification required.
5. Requires Family Sharing. See apple.com/family-sharing for more information.
6. The Apple One free trial includes only services that you are not currently using through a free trial or a subscription. Plan automatically renews after trial until cancelled. Restrictions and other terms apply.
7. Limited-time offer; offer may end at any time. Free Apple TV+ access for students ends when you no longer qualify or do not renew your Apple Music Student subscription. Offer good for verified college students only and does not extend to a Family Sharing group.

“Summertime” written by Orville Peck.

COEX-2.6

iCloud.com

Contact Apple

More ways to shop: Find an Apple Store or other retailer near you. Or call 1-800-MY-APPLE.

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United States

COEX-2.7

amazon music UNLIMITED

JUST $3.99/MONTH

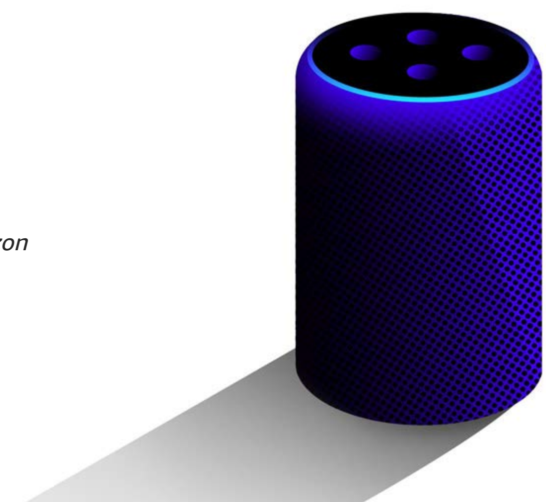
Unlimited access to 75 million songs on a single eligible Echo* or Fire TV device

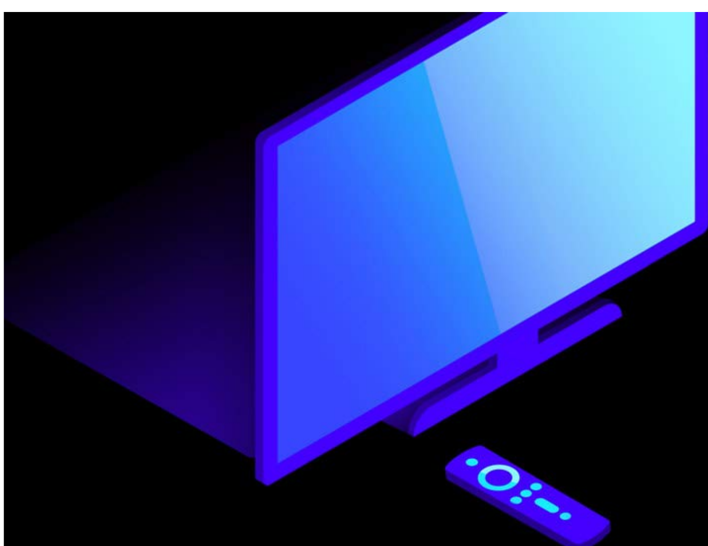
Try it free

JOIN ON YOUR ECHO

To start a free trial on your Echo just ask, *"Alexa, try Amazon Music Unlimited."*

Just $3.99/month after. New subscribers only.





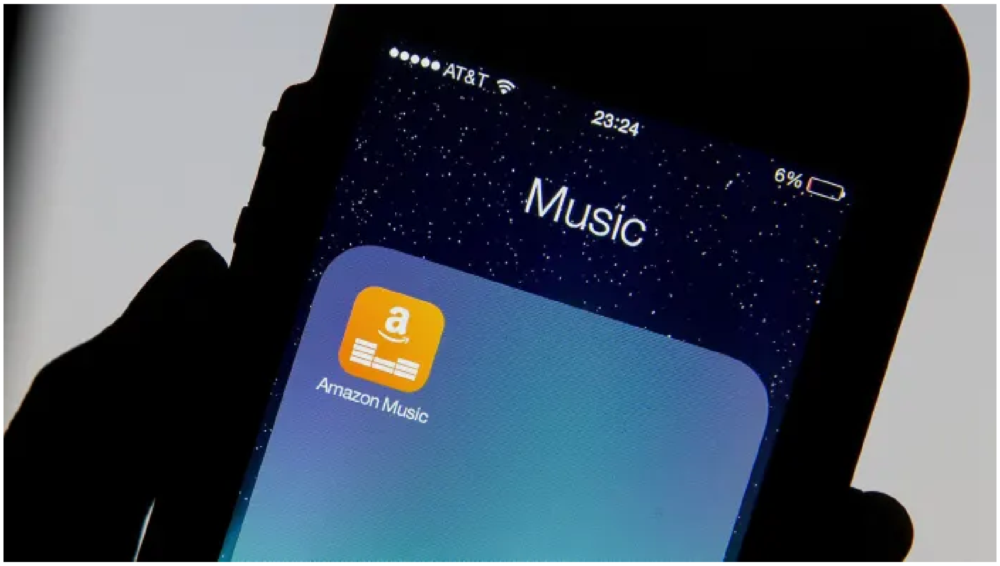
JOIN ON YOUR FIRE TV

To start a 30-day free trial, open the Amazon Music app on your Fire TV via the Settings page.

Just $3.99/month after. New subscribers only.

COEX-2.8

Amazon becomes fastest-growing music streaming service



Amazon's music streaming service has become the fastest-growing in the industry, with subscriber numbers growing by 70 per cent in the past year © Bloomberg

Streaming services updates
Sign up to myFT Daily Digest to be the first to know about Streaming services news.

Amazon is adding subscribers to its music-streaming service at a faster rate than rivals such as Spotify, Apple and Google, making music the latest industry to be disrupted by the ecommerce group.

The number of people subscribing to Amazon Music Unlimited has grown by about 70 per cent in the past year, according to people briefed on its performance. In April Amazon had more than 32m subscribers to all its music services including Unlimited and Prime Music.

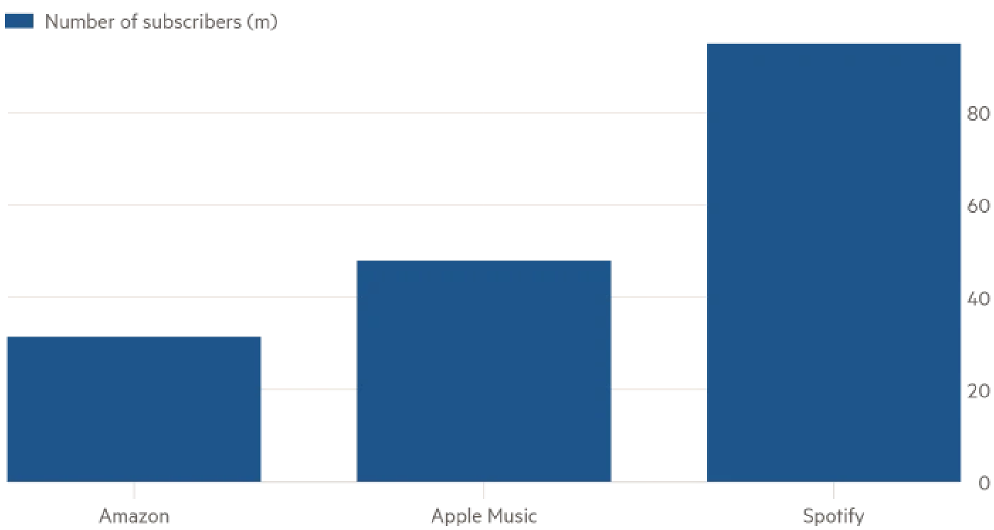
By contrast, Spotify, the world's largest streaming service with 100m subscribers, is growing at about 25 per cent a year. "Amazon is the dark horse [in music]," said Mark Mulligan, an analyst at Midia

Research. “People don’t pay as much attention to it [as to Apple and Spotify], but it’s been hugely effective.”

Streaming has brought optimism back to the music industry after more than a decade in the doldrums. Amazon has a long heritage in music, selling CDs in the 1990s, but the company was late to streaming, launching Amazon Music in autumn 2016 — two years after Apple’s equivalent service debuted.

Spotify dominates the music streaming industry

User numbers for the three biggest music streaming services in Q4 of 2018



Source: Midia Research

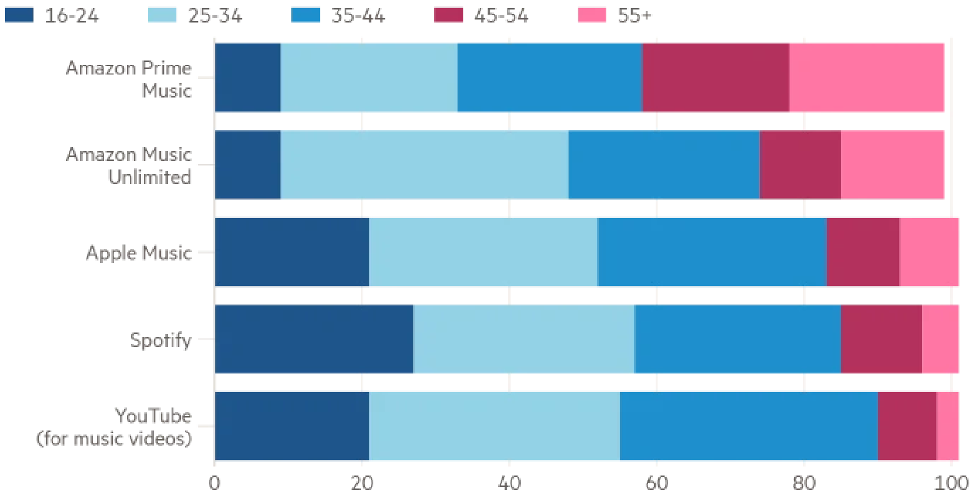
© FT

However, Amazon has gained momentum in recent months, propelled by its ubiquity with consumers and Alexa, its popular intelligent assistant, which can play music through voice commands issued to its wireless Echo speaker. “[Amazon] have gone all in on [music],” said a senior music executive at one of the major record labels. “We see high engagement on their service.”

It sells Amazon Music for $10 a month but that cost falls to $8 a month for Prime members and $4 a month for people who listen only on an Echo speaker. Apple and Spotify’s music services cost $10 a month.

Amazon's music streaming user base is older than its competitors'

Proportion of users, by age group (%)



May not add up to 100 per cent due to rounding
Source: Midia research

Steve Boom, head of Amazon Music, said there was a gap in the market for middle America and older consumers. About 14 per cent of subscribers to Amazon Music are aged 55 or older, compared with just 5 per cent of Spotify's customers, said Midia. "We're not battling for the same customers as everyone else," Mr Boom said. "For the industry to reach its full potential, we can't just look at 15- to 22-year-olds."

Mr Boom declined to comment on subscriber numbers, or on a high-resolution audio service that the company is developing. Amazon does not disclose its revenues from music, but analysts estimate them to be a small fraction of its overall business.

Get alerts on Streaming services when a new story is published

Get alerts

COEX-2.9

Music in the Air

Global music forecasts: Accelerated shift to streaming; UMG valuation raised to €44bn

We revisit our global music industry model and market share assumptions to reflect recent trends and publication of the 2020 recorded music figures. Our long-term forecasts increase by 2%, mainly on the back of stronger streaming growth assumptions.

Key themes and trends to watch: (i) we anticipate a faster shift to music streaming and greater monetisation of music content from new formats (e.g. short-form video, connected fitness, gaming, etc.), a trend that has been further accelerated by the pandemic; (ii) the digital distribution landscape will likely remain competitive and fragmented, with Amazon, Youtube and Tencent Music the major share gainers; (iii) the 3 majors will hold their dominant positions but face some market share dilution amid the rise of entry-level and mid-tier artists; (iv) the value of music catalogues will continue to increase, attracting ever more capital into the space.

Overall, we continue to see the major music companies and leading streaming services as key beneficiaries of these trends. In this note, we take a closer look at UMG ahead of the proposed spin-off, raising our valuation for UMG to €44bn (from €30bn) and our 12-month target price for Vivendi to €36.2 from €32.1.

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Goldman Sachs & Co. LLC

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Global music forecasts: reflecting stronger streaming growth and delayed recovery for live: our forecasts for the **recorded music** market increase by c.3% over 2021-30, mainly driven by an accelerated shift to streaming. Our **music publishing** forecasts are broadly unchanged. We lower our **live music** forecasts by c.30% in 2021 to reflect the more severe and prolonged impact of the pandemic, but our long-term forecasts are unchanged.

Key trends and themes: accelerated shift to streaming, rising competition and importance of scale and catalogue ownership

- We anticipate a **faster shift to music streaming**, a trend that has been further accelerated by the pandemic. We increase our paid subscriber forecasts by 5% to 1.279bn in 2030 (vs. 443mn in 2020) and incorporate **greater monetisation from new formats** (short-form video, connected fitness, gaming, podcasts etc.). Overall, we raise our streaming market forecasts by 5% in 2030, implying an 11% CAGR from 2021-30.
- We believe the **digital distribution landscape will remain competitive and fragmented.** We see Amazon, Youtube and large regional players such as Tencent Music as the major share gainers, with Spotify holding its clear leadership position, at the expense of Apple Music and smaller services.
- We expect the **3 majors will hold their dominant positions but face some market share dilution** as a result of: (i) the ongoing surge in music streaming volume led by the rise of entry-level and mid-tier artists and (ii) EM growth outpacing that of DM. We do not expect this to drive a meaningful change in industry dynamics however, with the majors also investing more aggressively in indies & local artists.
- We believe the **importance of catalogues and their value** will continue to increase, as streaming increases consumption of catalogue music, driving greater competition for those assets.

Revisiting UMG ahead of proposed spin-off: we take a **closer look at UMG**, the world's largest music entertainment company and major beneficiary of the secular growth of music streaming, ahead of the proposed spin-off announced by Vivendi. Our UMG valuation increases to €44 bn from €30 bn, leading our Vivendi 12-month price target to increase to €36.2 from €32.1.

Key beneficiaries: Vivendi (Buy, on CL), Sony (Buy, on CL), Sonos (Neutral) and Tencent Music (Neutral). **Negatively impacted:** Sirius (Sell).

Music in the Air in numbers

2020 in figures: an unprecedented drop for the music industry

Global music industry declined by **26%** **yoy…**

… due to an **83%** yoy drop in live music revenue

Recorded music remained robust with **7%** yoy growth…

… driven by strong **20%** yoy growth in streaming

Music publishing resilient with **5%** yoy growth

Streaming landscape to remain fragmented

Spotify to retain its clear leadership position with **33%** share in 2030E vs. 35% in 2020

Tencent Music will become the second largest player globally with **19%** share in 2030E vs. 13% in 2020

Amazon Music and Youtube Music to be major share gainers with **19%** share in 2030E vs. 16% in 2020, at the expense of Apple Music and smaller services

Accelerated shift to streaming

1.28bn paid subscribers in 2030E vs. 443mn in 2020

22% paid streaming penetration in 2030E compared with 10% in 2020

New monetization opportunities: **2%** boost to recorded music market from new deals with TikTok and Facebook

Growing importance of catalogue

Catalogue's share of audio streams increased to **66%** in 2020 vs. **53%** in 2016 in the UK

Catalogue multiples have increased from **12x** NPS in 2017 to **18x** in 2020

Major labels will remain dominant amidst rise of indie labels and artists

Top 3 majors commanded **70%** of recorded market share in 2020, broadly stable since 2016…

… but share of streaming market eroded from **89%** in 2015 to **73%** in 2020 due to the rise of DIY artists and indies

Global music forecasts: reflecting faster shift to streaming and delayed live music recovery

We revisit our global music industry model to reflect recent trends and the publication of the 2020 recorded music figures from several industry bodies.

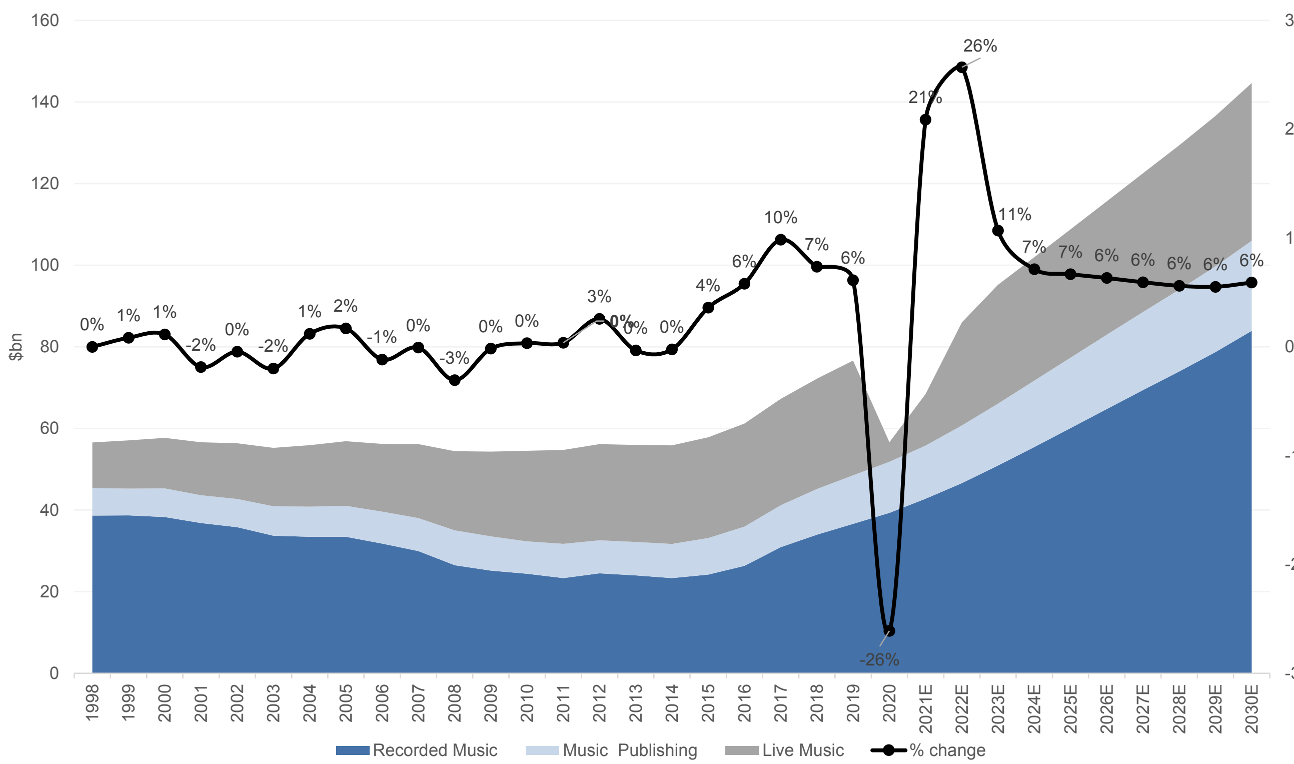
We estimate global music industry revenues declined 26% in 2020, with a sharper drop than expected for live music (-83%) due to the unprecedented disruptions to live events caused by the COVID-19 pandemic. However, **recorded music and music publishing have shown remarkable resilience** over the period, with growth of +7% and +5% respectively, with the pandemic further accelerating the shift to streaming.

We expect global music industry revenues to see a strong rebound at +21%/+26% in 2021/22, driven by the resumption of live events and accelerated shift to streaming. Relative to our previous industry deep-dive in May 2020 (see *The show must go on*), our new forecasts are 5% lower in 2021 as we cut our live music forecast by c.30% to reflect the more severe and prolonged impact of the pandemic, and 2% higher in 2023 on raised recorded music forecasts.

Our outer year estimates for global music industry revenues increase by low-single digits, mainly driven by recorded music, while our music publishing and live music forecasts are broadly unchanged. We discuss these forecasts in greater detail below.

Exhibit 1: We expect the global music industry to see a strong rebound in 2021/22 driven by the resumption of live events and continued strong growth in streaming, following a 26% drop in 2020

Global music market (recorded, publishing, live) breakdown (US$bn, LHS), % growth (RHS)



Source: IFPI Global Music Report 2021, Music & Copyright, OMDIA, PWC, Company data, Goldman Sachs Global Investment Research

Exhibit 2: Our global industry forecasts for 2021 decline by 5% due to later than previously expected resumption of live events, while our outer year estimates increase by low-single digits on a more positive outlook for recorded music

	2020		2021E		2023E		2030E		% change			
	New	Old	New	Old	New	Old	New	Old	2020	2021E	2023E	2030E
Global Music Market ($bn)**	**$56.6**	**$57.5**	**$68.4**	**$72.3**	**$95.2**	**$93.1**	**$144.7**	**$142.0**	**-2%**	**-5%**	**2%**	**2%**
Recorded Music Market ($bn)*	$21.6	$20.8	$23.5	$22.6	$28.0	$26.7	$46.2	$44.6	4%	4%	5%	3%
Music Publishing Market ($bn)*	$6.0	$6.0	$6.2	$6.2	$7.3	$7.3	$10.8	$10.7	-1%	1%	0%	1%
Live Music Market ($bn)**	$4.8	$7.0	$12.7	$18.3	$29.1	$29.1	$38.7	$38.7	-32%	-31%	0%	0%
Streaming												
Streaming Market ($bn)**	$25.7	$25.4	$30.3	$29.8	$41.3	$39.3	$79	$75	1%	2%	5%	5%
Paid Streaming Market ($bn)**	$18.1	$18.3	$21.1	$21.4	$28.2	$28.1	$52.9	$51.9	-1%	-1%	0%	2%
Ad funded Streaming Market ($bn)**	$7.6	$7.0	$9.2	$8.5	$13.1	$11.3	$26.4	$23.3	9%	9%	16%	13%
Paid Subscribers (mn)	443	416	527	503	697	671	1,279	1,220	6%	5%	4%	5%
Developed Market (mn)	281	246	313	277	367	321	456	403	14%	13%	14%	13%
Emerging Market (mn)	162	170	214	226	330	350	823	817	-5%	-5%	-6%	1%
Annual ARPU ($)**	$45.9	$48.4	$43.6	$46.5	$43.2	$44.7	$42.8	$44.0	-5%	-6%	-3%	-3%

* Recorded Music and Music Publishing market sizes in this table are net revenues, i.e. they represent revenues going to labels and publishers ** Live Music market size represents total revenues from ticket sales and sponsorship; Streaming revenues are gross numbers

Source: IFPI Global Music Report 2021, Music & Copyright, OMDIA, PWC, Company data, Goldman Sachs Global Investment Research

Recorded Music: raise long-term forecasts by 3% on accelerated streaming adoption

2020 global recorded music figures came in 4% ahead of our expectations

IFPI recently released its 2021 Global Music Report, confirming that 2020 was the sixth consecutive year of growth for the global recorded music market, up by 7.4% yoy to US$21.6bn in 2020, which was 4% ahead of our prior expectations. Importantly, this shows the strength of the industry in the wake of the COVID-19 crisis. The key growth driver continues to be streaming revenue, which was up 20% yoy in 2020 (vs. +22% in 2019), slightly ahead of our expectations. Within this, **global paid streaming subscribers came in at 443mn** vs. GSe 416mn, implying a **further acceleration in net adds to +102mn in 2020 from +86mn in 2019**. This was partly offset by another year of **weaker-than-expected ARPU** (-10% yoy vs. GSe -5% yoy), consistent with recent trends reported by Spotify, which saw premium ARPU decline by 8% yoy in 2020 (vs. -9% yoy in 2019) as well as further dilution from EM. **Ad-supported streaming revenue also delivered strong growth** in 2020 (+24% yoy vs. GSe +15%) despite a drop during 2Q20. We note that Spotify, which saw ad-supported revenue growth decelerate to +10% yoy in 2020, underperformed the broader market in this area, while YouTube outperformed with ad revenue up 31% yoy.

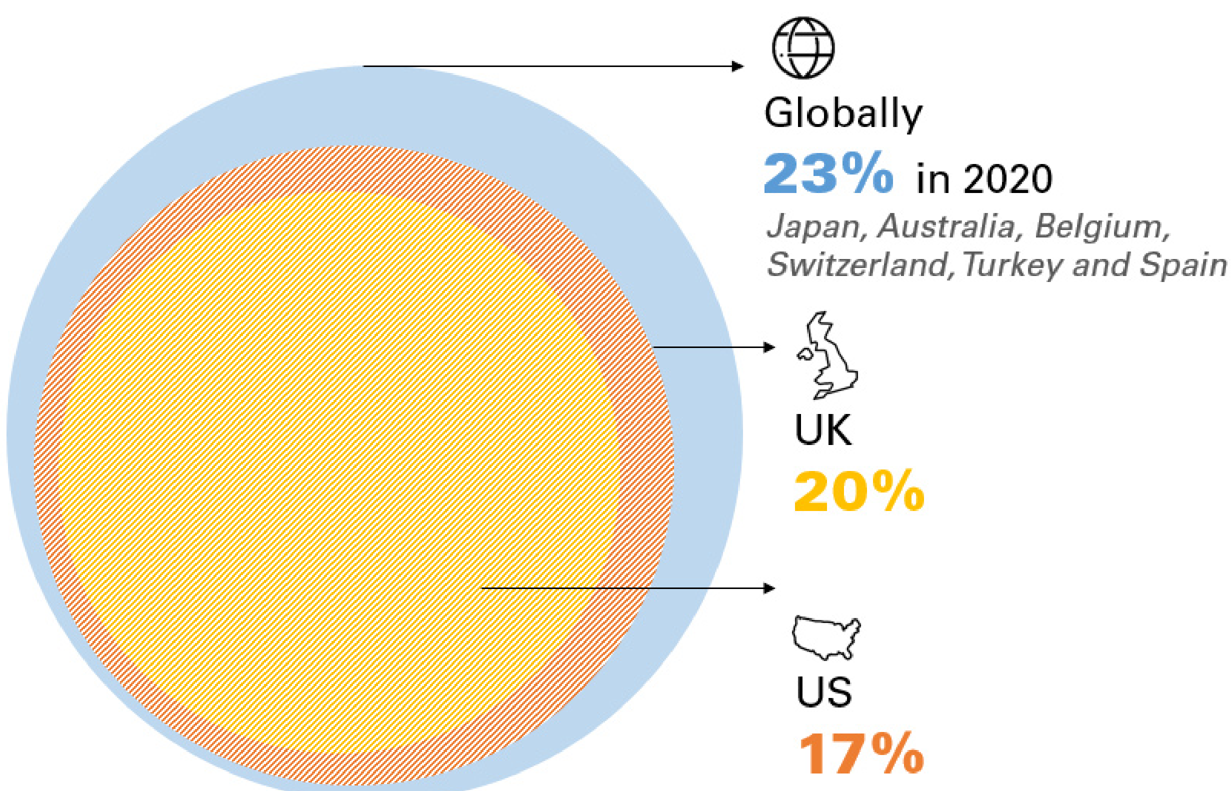
Elsewhere, Physical revenue was more resilient than expected, declining by just 5% yoy in 2020 (vs. GSe -24% yoy), driven by strong growth from vinyl records (+24% yoy) despite disruptions from the closure of physical stores which had severely impacted 2Q20 (Physical recorded music sales for the majors dropped by 42% on average in 2Q20). Performance Rights and Sync were both down c.10% yoy due to the cancellation of live events and delays to film production respectively. Downloads & Other Digital continued its steady double-digit decline, falling 16% yoy, although this was somewhat more resilient than our forecast of -28%.

We anticipate an accelerated shift to music streaming, a trend further exacerbated by the pandemic...

We believe the pandemic has contributed to accelerate the shift to online from offline music, with recent datapoints suggesting that 2020 saw record levels of online music consumption. This is in spite of an initial dip at the start of the pandemic due to a sudden drop in in-car and commute listening. Globally, music streaming consumption grew by 23% in 2020 (source: MRC/Billboard) with countries such as Japan, Australia, Belgium, Switzerland, Turkey and Spain seeing the most significant gains in weekly streaming growth since the start of the pandemic. Within the larger markets, streaming consumption grew by 20% in the UK and 17% in the US.

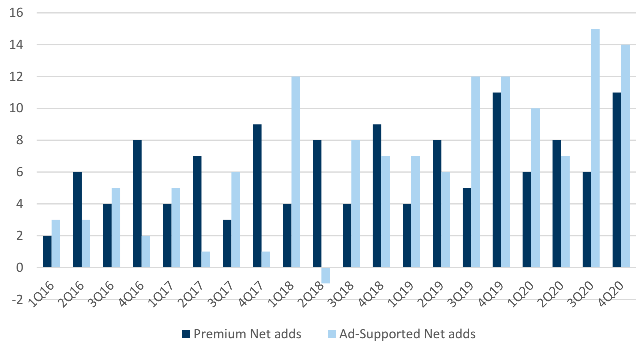
The strong growth in music consumption in 2020 has driven robust performance for audio and video streaming platforms, with global paid subscriber net additions accelerating to +102mn in 2020 vs. +86mn in 2019. Spotify remained an important driver of that growth with premium net adds accelerating to +31mn in 2020 (30% share of net adds) from +28mn in 2019 (32.6% share of net adds), while MAU net adds also increased +46mn in 2020 compared with +37mn in 2019. The fastest growing services globally were YouTube Music/ Premium and Amazon Music, based on company data and our channel checks, as well as larger regional players such as Tencent Music. Whilst subscriber data are not available and rather small at this stage, we have seen strong download data for emerging players such as ByteDance's Resso and Boomplay.

Exhibit 3: Streaming consumption grew significantly in 2020



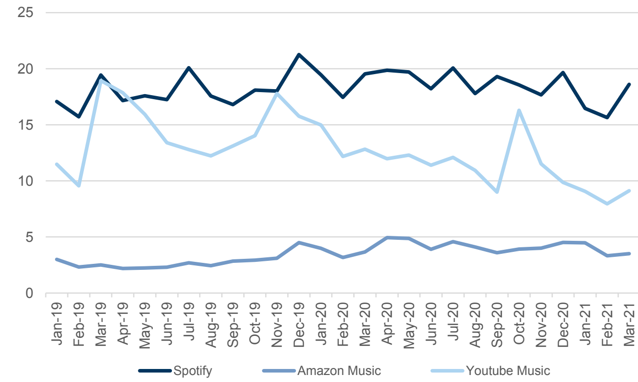
Source: MRC, Billboard

Exhibit 4: Spotify user growth accelerated in 2020
Spotify premum subscriber and ad-supported MAU net additions (mn)



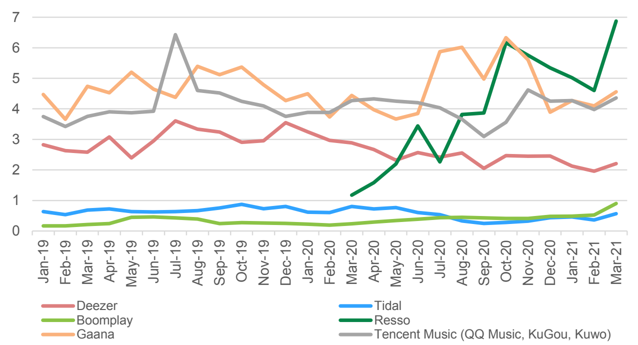
Source: Company data

Exhibit 5: Spotify and Amazon Music saw 5% and 49% yoy growth in app downloads in 2020 respectively...
Monthly app downloads for music streaming services globally - Android + iOS (mn)



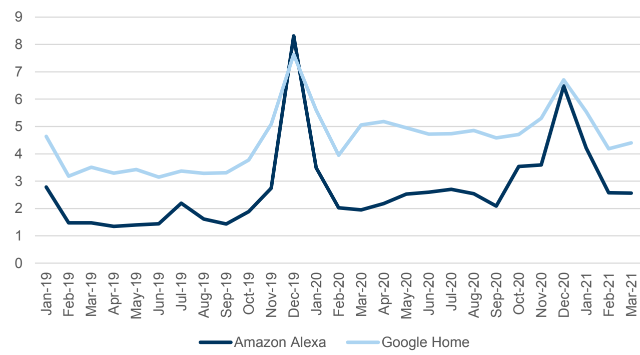
Source: Sensor Tower

Exhibit 6: ...while regional/local players such as Resso and Boomplay have also seen very strong growth in downloads
Monthly app downloads for music streaming services globally - Android + iOS (mn)



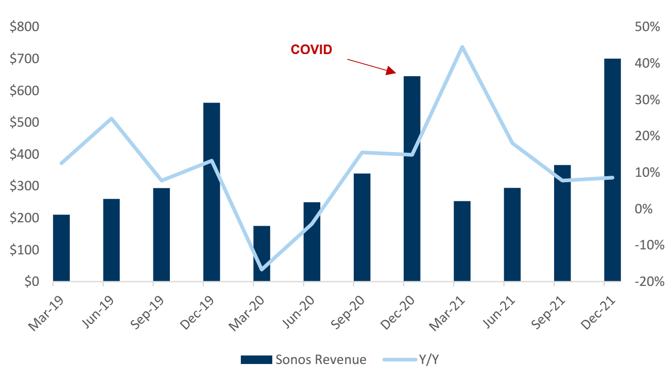
Source: Sensor Tower

Exhibit 7: Smart speaker app downloads have materially stepped up since late 2019
Monthly app downloads globally for smart speakers - iOS + Android (mn)



Source: Sensor Tower

Exhibit 8: Sonos saw a surge in revenue amid COVID-19 after an initial slowdown
Sonos revenue and yoy growth



Source: Company data

… and additional positive structural developments

- **Positive deal renegotiations with Spotify, Facebook and TikTok, amongst others:** 2020 saw a number of favourable structural developments for the recorded music industry such as (i) the long-awaited renewal and expansion of **UMG and WMG's deal with Spotify** (July 2020 and April 2020 respectively) with no change in royalty rates unlike in 2017, (ii) **TikTok's new global licensing deals with the three major record labels** (SMG and WMG in December 2020, UMG in February 2021), (iii) **Facebook's deals with the majors to show music videos on its platform** (July 2020) and (iv) **Snapchat's launch of a new feature that lets users add music to their posts** within the app, having secured deals with several major companies including UMG, WMG and Merlin (August 2020). WMG's CEO stated on its 4QFY20 earnings call (Nov 23, 2020) that with these new partnerships, social media already represents a nine-figure revenue stream and is growing faster than subscription streaming. In particular, we estimate that **the new deals with TikTok and Facebook represent an incremental 2ppt boost to recorded music's annual revenue.**

Exhibit 9: We expect the major labels to benefit from new or renegotiated streaming agreements

UMG

Date	Company	Type of agreement
February 8, 2021	TikTok	Expanded global alliance/licensing agreement
September 14, 2020	Facebook Gaming	New multi-year licensing agreement
August 10, 2020	NetEase Cloud Music	New multi-year licensing agreement for China
August 10, 2020	Tencent Music	Renewed multi-year global licensing agreement
August 3, 2020	Snapchat	Licensing agreement (with UMPG)
July 22, 2020	Spotify	New multi-year global licensing agreement
July 21, 2020	Facebook	Expanded multi-year licensing agreement

SMG

Date	Company	Type of agreement
November 2, 2020	TikTok	New global licensing agreement
September 14, 2020	Facebook Gaming	New multi-year licensing agreement

WMG

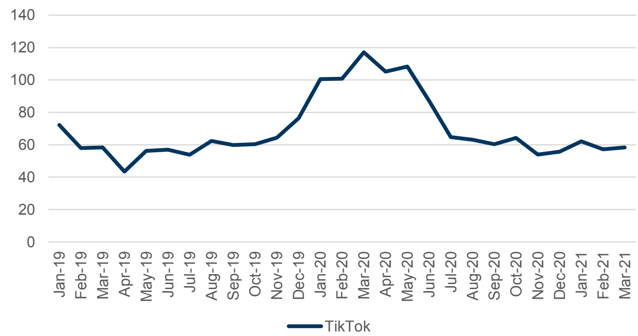
Date	Company	Type of agreement
April 15, 2021	Spotify	Podcast development partnership
January 4, 2021	TikTok	New global licensing agreement
September 14, 2020	Facebook Gaming	New multi-year licensing agreement
March 22, 2021	Tencent Music	Renewed multi-year global licensing agreement
August 3, 2020	Snapchat	Licensing agreement
April 1, 2020	Spotify	Renewed multi-year global licensing agreement

Source: Company data, Music Business Worldwide, Variety, Press reports

- **New monetisation opportunities:** While the traditional on-demand subscription model continues to dominate much of the growth in the music industry, we see a growing opportunity for it to monetise new areas such as **short-form videos, connected fitness, gaming and podcasts**, which have all surged in popularity during COVID-19 and enabled incremental consumption of music appealing to varied, and often younger, audiences, with much of that new behaviour likely to remain sticky in our view. This offers new and incremental monetisation opportunities for music content owners, but also new avenues to amplify artists and set cultural trends.
  - **Short-form video:** Since its launch in 2017, **TikTok** has reportedly been downloaded over 2bn times and has acquired a global reach of more than 700mn monthly unique visitors (as of October 2020, according to CNBC,

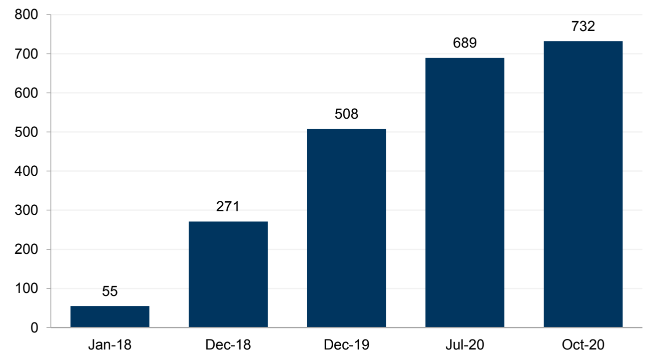
MBW). Monthly downloads peaked at 120mn in March 2020 and have remained constant at around 60mn per month since July 2020. Music is a core component of the TikTok platform, and as highlighted above, the company has recently negotiated new global licensing deals with the three major record labels which should result in much improved monetisation terms for content owners (we estimate a 1ppt boost to recorded music revenue), with scope for significantly more upside as the platform continues to grow.

Exhibit 10: TikTok downloads soared during the first wave of the pandemic and have remained elevated since at c.60mn per month
Monthly app downloads globally for short-form video - iOS + Android (mn)



Source: Sensor Tower

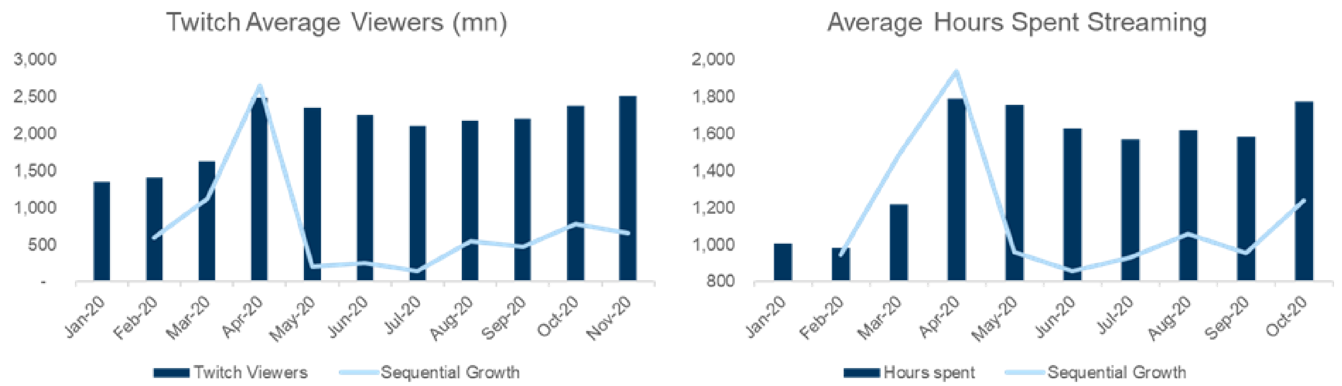
Exhibit 11: TikTok added >200mn global users in less than a year in 2020
TikTok global users



Source: Company data, CNBC (August 24, 2020), Music Business Worldwide (April 4, 2021)

- **Gaming:** Video gaming has also surged since the onset of the pandemic, with data from Verizon indicating US video game usage during peak hours increased by 75% during the first lockdown. Embracer estimated 56% growth in the gaming TAM during lockdowns (Apr-Jun 2020), and 113% growth in digital sales. Moreover, we have seen a notable increase in activity in games with a heavy social component: according to Statista, 60% of gamers have played more Multiplayer games since the beginning of COVID. Call of Duty Warzone, a multiplayer Battle Royale game launched in March 2020, saw a 1,150% increase in the number of players over five months, from 6 million players in March to 75 million in August. This offers a new monetisation opportunity for the music industry in our view: in the past year we saw several examples of increasing innovative partnership between the music industry and the gaming industry, such as: i) Fortnite's collaborations with artists Marshmello and Travis Scott to present immersive virtual concerts, and ii) WMG's investment in online gaming platform Roblox. We see **Sony** and **Tencent** as best placed to benefit from this convergence, given their strong presence in both video games and music.

Exhibit 12: Lockdowns have accelerated uptake in social gaming and live streaming

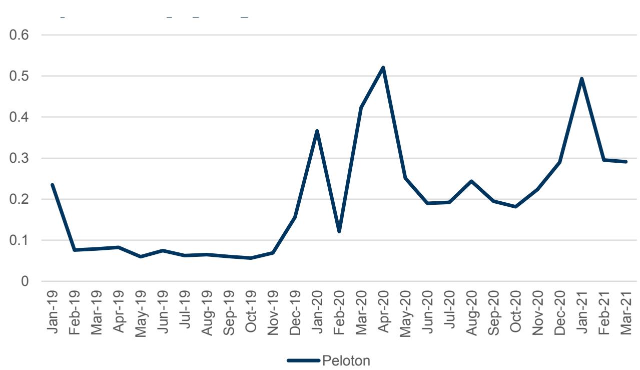


Source: Company data, Goldman Sachs Global Investment Research

- **Connected fitness:** As shown in Exhibit 13, Peloton downloads increased >5x during the peak of the pandemic and remain c.3x higher than pre-COVID levels as of March 2021. **We estimate Peloton currently pays around US$150mn in annual fees to the recorded music industry** with the potential to grow significantly over time as the business model matures.

Exhibit 13: Peloton downloads increased >5x during the peak of the pandemic and remain >3x higher than pre-COVID levels

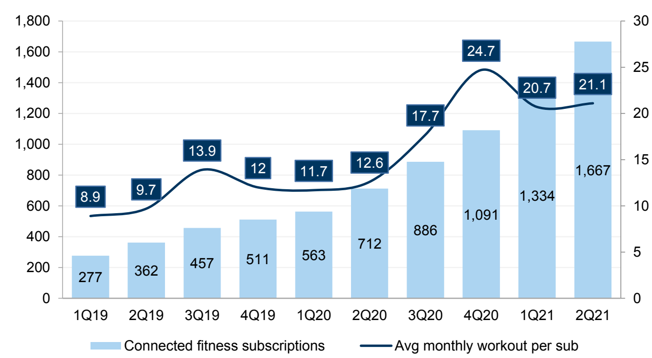
Monthly app downloads globally for fitness - iOS + Android (mn)



Source: Sensor Tower

Exhibit 14: Peloton benefited from the pandemic both in terms of subscribers and platform usage

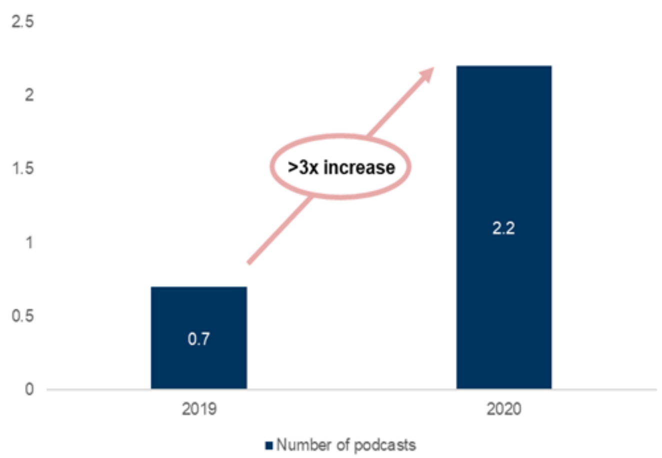
Peloton's connected fitness subscriptions and average monthly workout per subscriber (FY ending June)



Source: Company data

- **Podcasts:** Long-form audio has been a major focus for the digital service providers (DSPs) in recent years, particularly Spotify, which has invested over US$1bn in their podcast portfolio to date in order to increase user engagement and generate incremental advertising revenues. Spotify more than tripled its podcast offering in 2020 compared with 2019 and highlighted at its 4QFY20 results call that podcast consumption (measured by listening hours) nearly doubled yoy in 4Q. According to WARC's 2019 Global Ad Trends report, podcast ad spend is currently worth US$855m globally, and set to rise to US$1.6bn by 2022 (4.5% of global audio advertising spend). The major labels have historically been largely ambivalent towards the increasing popularity of podcasts, in our view, with WMG stating at its 3QFY20 results call that it believes the trend makes no difference to their economic relationship with Spotify, but could have a positive impact by attracting more music listeners to the platform. Furthermore, we believe **podcasts could present incremental revenue opportunities for music content owners through the development of music-themed podcasts.** This month WMG announced a collaboration with Spotify to develop original podcasts built around its artists and songwriters' catalogs, while UMG announced a similar deal with independent podcast publisher Wondery in 2019 and Sony Music formed a venture with UK-based producer Somethin' Else in February 2020.

Exhibit 15: Spotify's podcast offering more than tripled yoy in 2020
Number of podcasts offered (mn)

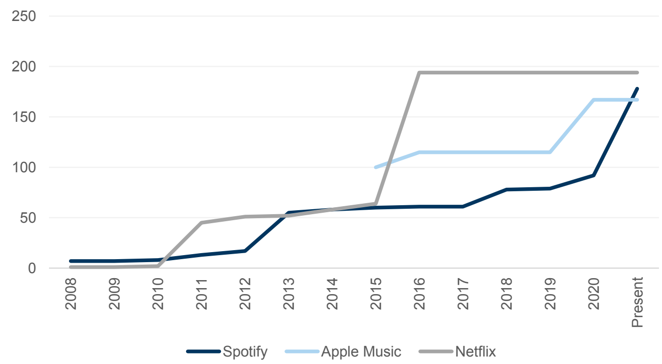


Source: Company data

- **Proliferation of music streaming services**

  While there are already over 400 music streaming services across the world as per IFPI, the leading global platforms Spotify and Apple Music have continued to expand their geographical footprint. Spotify announced its intentions to launch in 85 new markets in February 2021 in addition to its launches in Korea, Russia and 12 other European markets in 2020, which will bring its global footprint to 178 markets. Meanwhile, Apple Music added 52 new markets in April 2020 and now operates in 167 countries worldwide. As a comparison, Netflix has operated in over 190 countries since 2016. We believe this should further boost the take-up of paid streaming services particularly in the more immature digital markets and increase the revenue opportunity for the record labels in their deals with DSPs typically including minimum guarantees for new market launches.

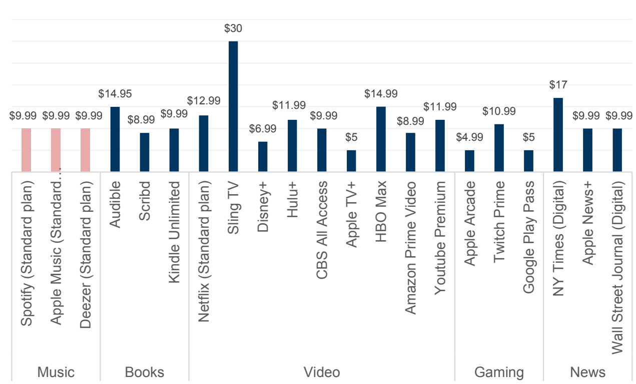
Exhibit 16: Spotify will soon operate in 178 markets, compared with Apple Music at 167 and Netflix at 194
Number of markets of operation



Source: Press reports, Company data, Data compiled by Goldman Sachs Global Investment Research

- **Scope for improved pricing:** Global paid streaming ARPU decreased by another 10% in 2020, following c.12% average ARPU declines per year since 2017. We believe the decline in 2020 reflects the ongoing dilution from EM, but also greater level of discounting related to the COVID-19 crisis and mix shift towards lower priced bundles (e.g. with Amazon Echo) and family plans, as we would have expected a shift towards more shared listening during the pandemic. We expect a moderation of the decline going forward as listening patterns normalise, and also see scope for improved pricing. We note that Spotify has begun to experiment with price rises in select markets in recent years with good success, e.g. Norway/Scandinavia (10% hike in standard plan price in Norway in 2018, 13% hike in family plan prices in Scandinavia in 2019) and the UK (10%/15%/33% increase in individual/duo/family plan prices in 2021). We also see opportunity to grow ARPU through the proliferation of premium products at higher prices, with Spotify HiFi set to launch in 2021 (following Tidal Hifi in 2017 and Amazon Music HD in 2019).

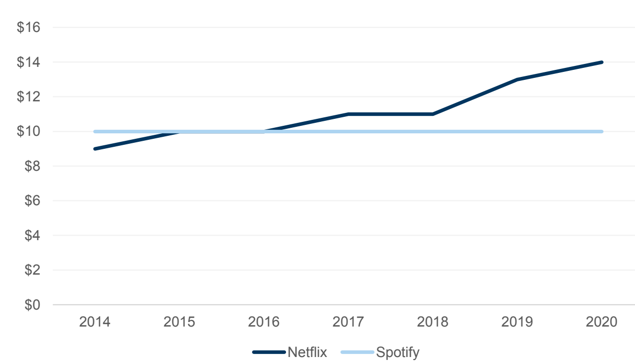
Exhibit 17: The price of a standard music streaming subscription in the US is lower than many other entertainment subscriptions
Monthly price/ARPU of various entertainment subscription offerings in the US



Standard subscriptions i.e. excluding promotional periods, as of May 2020

Source: Company data, Data compiled by Goldman Sachs Global Investment Research

Exhibit 18: Spotify's standard subscription is 29% cheaper than Netflix in the US
US standard plan price (US$) – Netflix, Spotify



Source: Company data, Data compiled by Goldman Sachs Global Investment Research

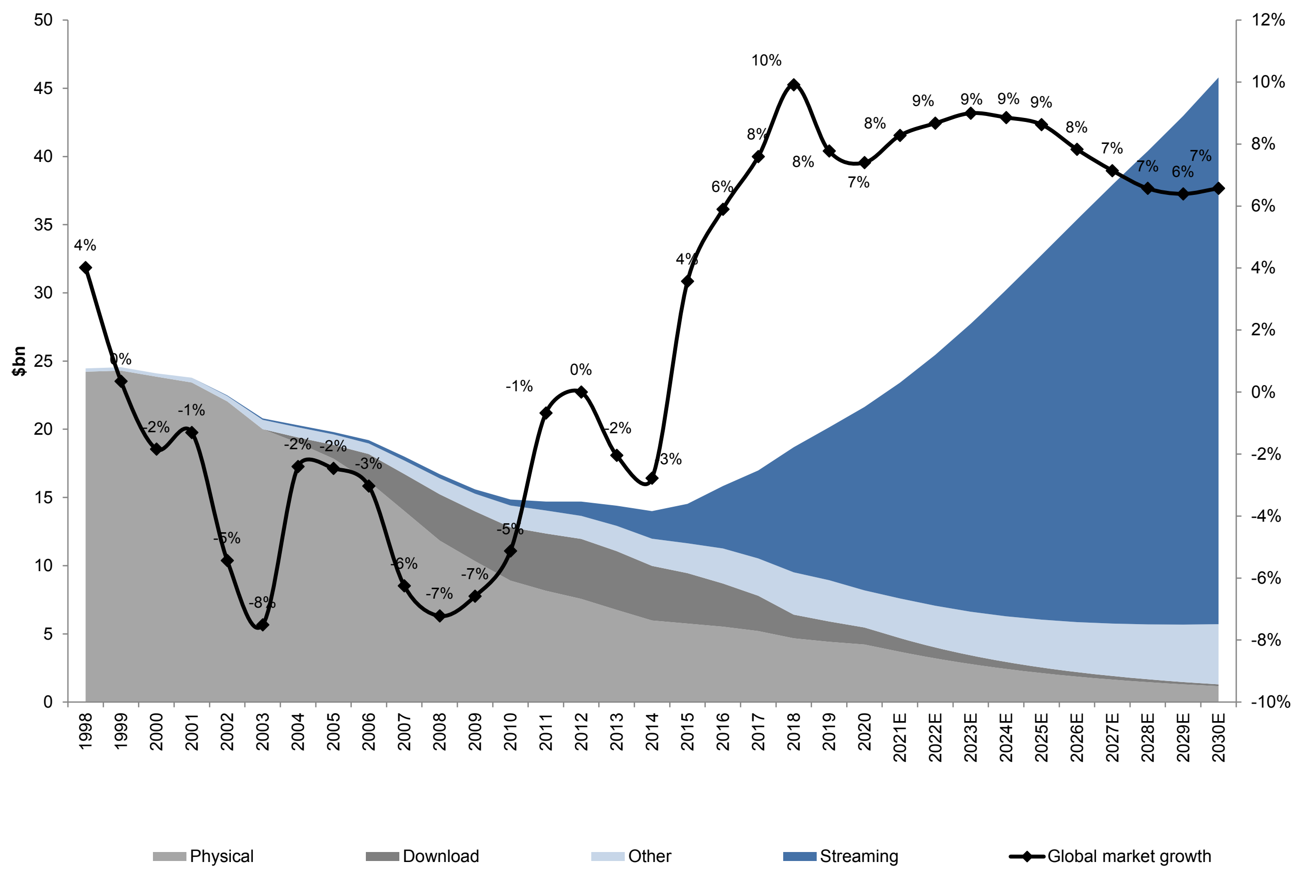
Raise Recorded Music market forecasts by c.3% over 2021-30

Overall, as a result of the better-than-expected 2020 numbers reported by IFPI and positive structural developments outlined above, we increase our global recorded music market forecasts by c.3% over 2021-30 (Exhibit 2). These 2021-30 changes are detailed below:

- **Paid streaming:** We increase our paid subscriber forecasts by 5% to 1.279bn 2030, compared to 443mn in 2020. This is based on **paid streaming penetration** (as % of smartphone population) **rising to 22% in 2030** (21% prior) from 10% in 2020, with **47% penetration in DM** in 2030 (42% prior) and **17% in EM** in 2030 (unchanged). This is partially offset by lower ARPU assumptions, in line with recent trends (we now forecast a US$42.8 annual ARPU in 2030 vs. US$44.0 previously, on a gross basis, and US$22.3, vs. US$22.9 previously, on a net basis). Overall, our paid streaming market forecasts increase by 2% in 2030 to reach US$52.9bn/US$27.5bn (gross/net basis), implying a 10% CAGR 2021-30.
- **Ad-funded streaming:** We raise our forecasts for the ad-funded streaming market more substantially by 13% in 2030 to reach US$26.4bn/US$12.9bn (gross/net basis), following stronger-than-expected growth in 2020 and incremental benefits from new areas including Facebook's music videos and TikTok's short-form videos as described above.
- **Physical:** We remain cautious on the outlook for physical record sales, forecasting double-digit declines over the next few years, despite the recent strength of vinyl sales leading to falls of just 5% yoy in 2019/20.
- **Performance rights:** We expect a partial recovery for performance rights in 2021 (+7% yoy, vs. -10% in 2020) given the ongoing disruptions to live events, then a return to the pre-COVID trajectory from 2022 onward.
- **Sync:** We expect sync revenues to gradually recover to pre-COVID levels over 2021-22 as delayed film productions are released.
- **Download & Other Digital:** We expect the steady double-digit declines to continue (GSe -20% p.a.) as streaming renders digital downloads obsolete.

Exhibit 19: We forecast the global recorded music market to grow 8% in 2021 and in the high single digits over 2022-30, led by streaming

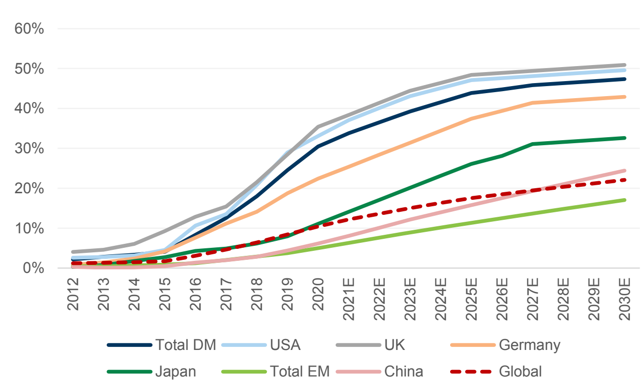
Global Recorded Music market revenues (US$bn, LHS), % growth (RHS)



Source: IFPI Global Music Report 2021, Goldman Sachs Global Investment Research

Exhibit 20: Our 22% global paid streaming penetration rate estimate in 2030 is based on 47% penetration in developed markets and 17% penetration in emerging markets

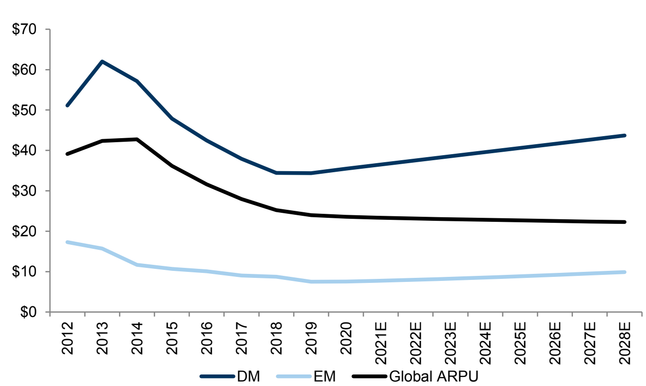
Streaming penetration by market (as % of smartphone users), 2012-30E



Source: IFPI Global Music Report 2021, Goldman Sachs Global Investment Research

Exhibit 21: We forecast ARPU (record label share) to continue to decline, stabilising at US$23 in 2023 on a net basis (vs. GSe US$25 in 2020) as pricing improvement begins to offset dilution from geographic mix

Paid streaming ARPU - Global, DM and EM



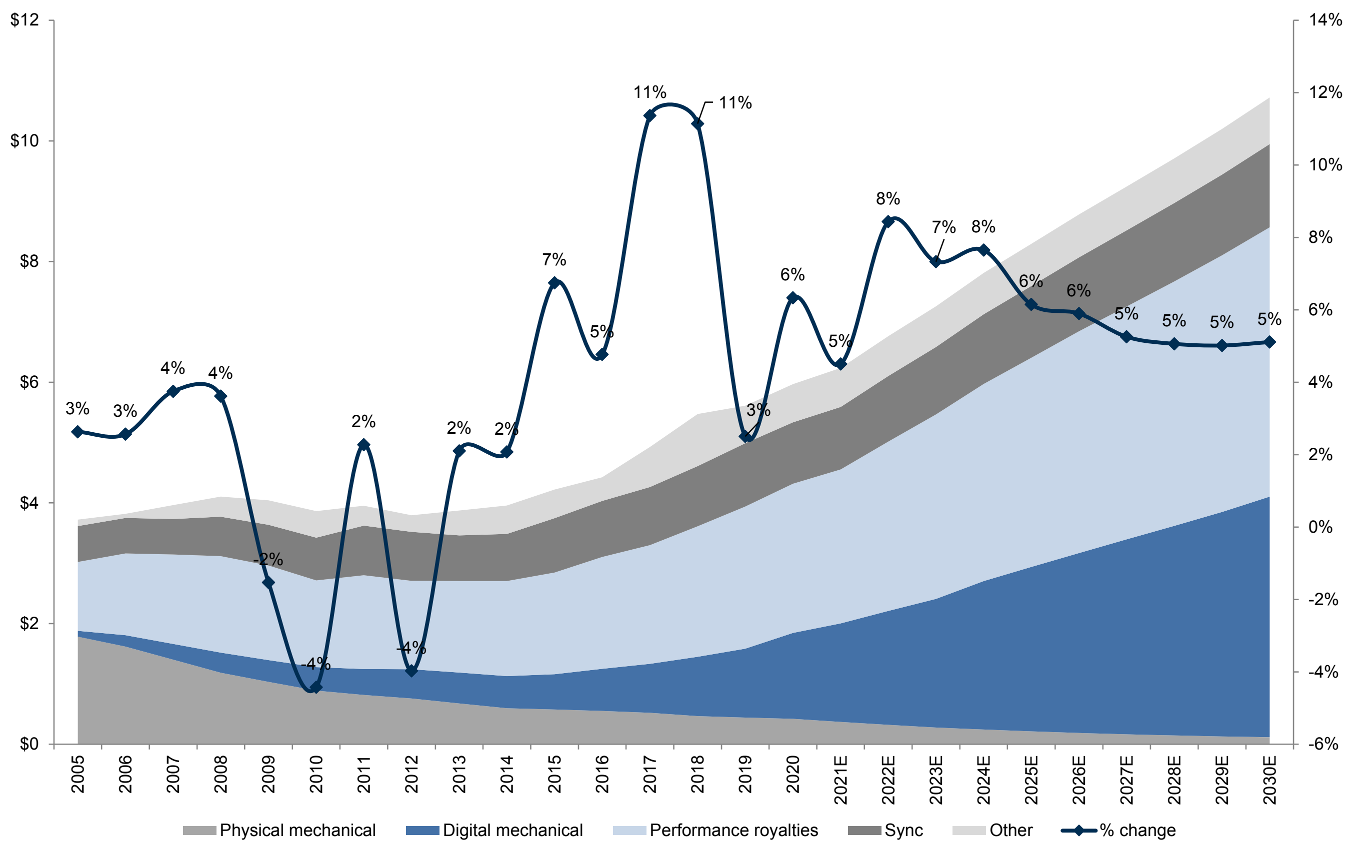
Source: IFPI Global Music Report 2021, Goldman Sachs Global Investment Research

Music Publishing: forecasts broadly unchanged as the industry continues to show resilience

Similar to Recorded Music, the Music Publishing market continued its steady growth in 2020 helped by streaming and timing of collections, despite COVID-19's negative impact on live performance and sync royalties. In 2021, we expect the Music Publishing market to grow by 5%, slightly slower than the +6% last year due to the 6-12 month lag in royalty collections meaning the timing of impacts of COVID-19 is delayed. We also note some positive developments in the music publishing space over the last 12 months, such as Tik Tok's multi-year agreement with the US National Music Publishers' Association which also covers past use of musical works.

Exhibit 22: We estimate the Music Publishing market to grow by 5% this year (vs. +6% last year) due to the 6-12 month lag in royalty collections meaning the timing of impacts of COVID-19 is delayed

Global Music Publishing market revenues (US$bn) and % growth



Source: Music & Copyright, OMDIA, Company data, Goldman Sachs Global Investment Research

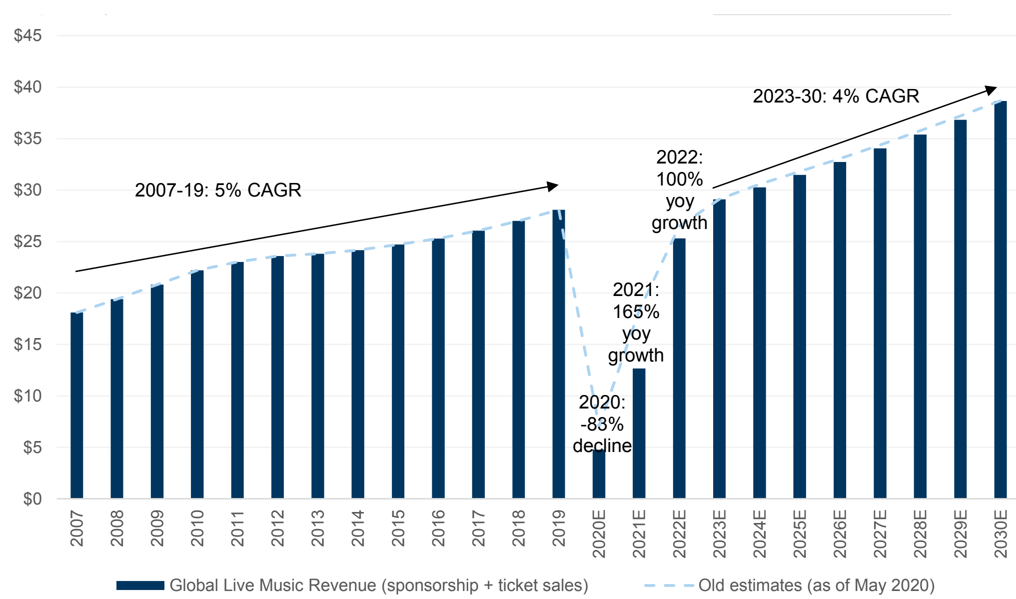
Live Music: delayed recovery but long-term outlook intact

Live music, having been one of the most resilient parts of the music industry in the past two decades, was by far the most severely impacted segment during the COVID-19 crisis due to the cancellation of almost all live events in most geographies. In our previous update (May 2020) we had assumed live music revenues would gradually begin to recover from 4Q20 onward (implying a 75% decline for the FY given Q4 is seasonally smaller). The severe second wave of infections that emerged in many countries in 4Q20 meant that these estimates proved to be too optimistic, although more recently we are encouraged by the return of live events in certain locations where a rapid vaccination rollout has taken place (e.g. Israel) and places where COVID-19 has been mostly eliminated due to tight border restrictions (e.g. Australia and NZ).

Overall, we estimate that the Live Music industry declined by 83% last year, based on the trends reported by various industry players such as Live Nation and Eventim. This year we continue to expect a sharp rebound (+165% yoy) as the ongoing rollout of vaccines begins to take effect, however, we now believe 2021 will only reach 45% of 2019 levels (vs. 65% previously). Longer term we believe consumers will be eager to get back to concerts and festivals, forecasting a return to 2019 levels in 2023, and we continue to believe Live Events is an attractive market with a steady growth outlook (GSe +4% 2023-30 CAGR).

We also believe the pandemic has created an opportunity for new formats of digitally-enabled live events to emerge.

Exhibit 23: We continue to expect the Live Music market to return to 2019 levels by 2023, however, we now expect the recovery to be more weighted toward 2022/23
Global Live Music market (US$bn)



Source: PWC, Goldman Sachs Global Investment Research

Data from the IFPI Global Music Report 2021 was used to create material in this report. All statements using IFPI data represent Goldman Sachs' interpretation of data, research opinion or viewpoints published as part of the IFPI Global Music Report 2021, and have not been reviewed by IFPI. Each IFPI publication speaks as of its original publication date (and not as of the date of this report.

Digital distribution landscape: tech giants gaining momentum

We update our streaming market share forecasts by platform. In 2020, the music streaming landscape remained dominated by a handful of large global/regional players and continued to exhibit "no winner takes all" characteristics.

Spotify remains the clear leader with 35% market share and twice as many subscribers as Apple Music. Its share loss moderated in 2020, down 90bp yoy compared to -270bp/-130bp in 2018/19.

Apple Music has been losing momentum over the last two years, conceding another 130bp of share in 2020 on our estimates to 17.8% despite its recent expansion into new markets, while our channel checks with various labels/publishers suggest that Apple Music has fallen to a number 3 position (from number 2) in several markets outside of the US.

We believe that **Amazon Music** and **YouTube Music** were the major share gainers with a combined 70mn paid accounts, from 44mn in 2019, implying nearly 400bp of share gain to 15.8%. Alphabet reported >30mn YouTube Music/Premium accounts on its 4Q20 earnings call, with IFPI noting that its subscriber base doubled yoy in 2020, following a relatively soft start.

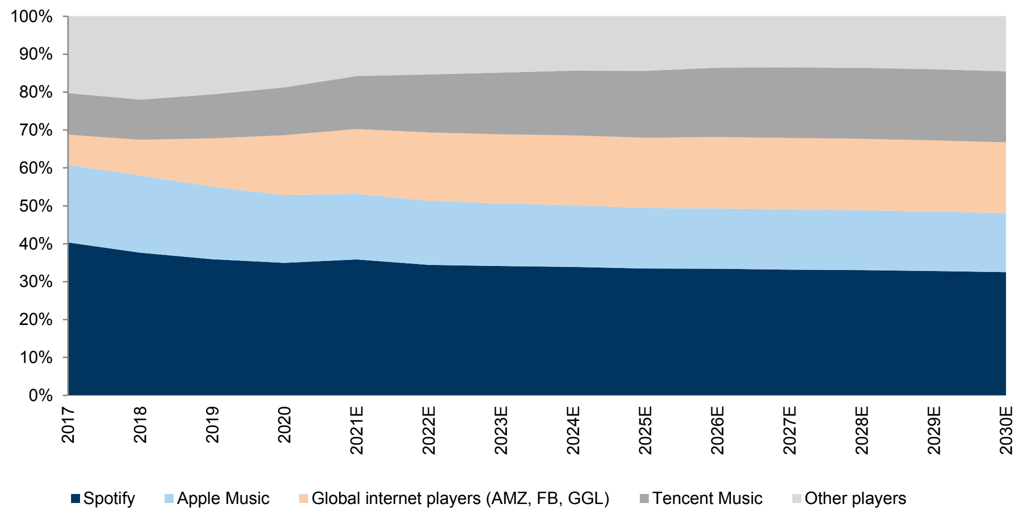
The pace of net additions also accelerated for **Tencent Music**, with the service recording 100bp of share gains to 12.6%. The **long tail of smaller streaming services** (c.400 globally) lost 190bp of market share on our estimates given rising competition from Apple Music and Spotify which expanded into 52 and 14 new markets in 2020, respectively.

We believe the market will remain highly competitive in the coming years with the recently announced expansion of Spotify into new markets, the ongoing surge in smart speaker listening benefiting Amazon Music, and growing momentum for emerging streaming services such as Boomplay and Resso. For instance, **Boomplay**, Africa's leading music streaming service, already counts >150mn users (>50mn MAUs and >10mn DAUs) and has been expanding its catalogue rapidly, having recently announced a new licensing agreement with UMG covering 47 countries across Africa (from 7 previously). **Resso**, ByteDance's new streaming platform in India and Indonesia, had 15.2mn total installs on the App Store and Google Play as of the end of August 2020 despite only launching in March 2020, according to data from Sensor Tower.

Overall, we expect **Spotify to regain some share in 2021** as it expands into 85 new markets, and **retain its clear leadership over time** with 32.5% share of subs in 2030. We forecast **Apple Music will fall to 4th place** with 15.6% share in 2030 (-230bp vs. 2020). We forecast **Tencent Music's share to rise the most** (+600bp vs. 2020) to 19% by 2030 and become the second largest player globally, with its expanded partnership with UMG helping to further accelerate the shift towards paid users in our view. We forecast the share of global internet players (Amazon, YouTube, Facebook) to increase by 290bp to 19% by 2030, with **Amazon Music becoming the third largest player globally**. We expect some **consolidation amongst the long tail of smaller players** with share decreasing by >400bp to 15% in 2030.

Exhibit 24: The streaming market saw further fragmentation in 2020 with the top 2 players Spotify and Apple Music both losing share

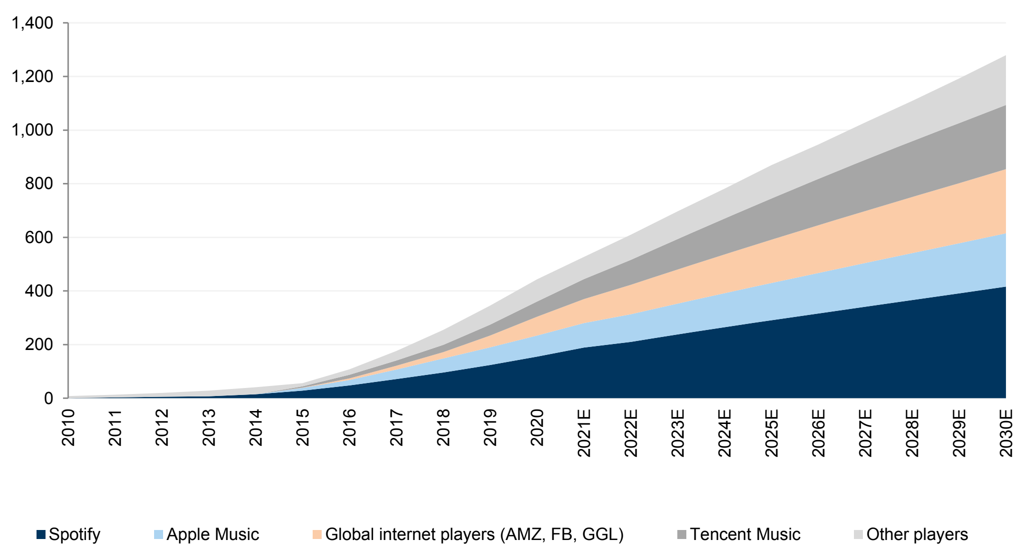
Streaming subscriber market share by platform, %



Source: IFPI, Press reports, Company data, Goldman Sachs Global Investment Research

Exhibit 25: We expect Spotify to remain the clear leader, with Tencent Music, Amazon Music and Youtube Music the main share gainers

Streaming subscribers by platform (in millions)



Source: Company data, Goldman Sachs Global Investment Research, Press reports

Record labels: majors retain dominance but expect some share erosion

Top 3 labels retain dominance

We believe that record labels will continue to play an essential and integral role in the discovery and development of recording artists and the related marketing, promotion, distribution, sale and licensing of music created by such recording artists. Despite concerns around the rise of DIY/ indie artists and alternative music companies, our analysis of market share data shows that the major **labels' market shares have been broadly stable since 2016. In 2020, we calculate a share loss of 70bp, reversing the 70bp of share gained in 2019**. We note that this measures labels' share of owned and distributed music, with the contribution from music distributed on behalf of independent labels likely to have increased over the period.

UMG gained market share in 2020 for the 5th consecutive year, up 20bp yoy to 31.4%. **SMG also gained 30bp of share in 2020** to 20.9%, reversing the negative momentum of the previous 5 years. **WMG was the major loser**, with market share down 120bp to 18.0% in 2020, which we believe partly reflects the postponing of new releases into 2021; WMG had previously been gaining share for five years.

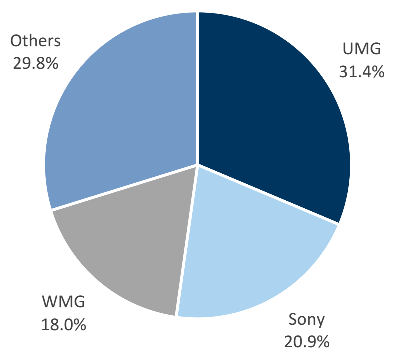
Within the streaming market, however, the top 3 majors have **lost significant share in recent years**, from 89% in 2015 to 73% in 2020, with the decline moderating in the last 2 years to c.100bp per year. However, their **market share in streaming (73%) remains higher than their share of the recorded music market (70%).** We believe such share loss was mainly the result of (i) the majors being early adopters of streaming, with their share eroding over time as competitors caught up, (ii) growing contribution of EM to global streaming market and (iii) growing amount of content on streaming platforms (60,000 songs were uploaded every day on Spotify as of February 2021 or nearly 1 song per second, up from 40,000 songs in 2019).

Going forward, we believe that the majors could continue to see some share erosion mainly driven by: (i) the surge in music streams volume led by the rise of entry-level and mid-tier artists and (ii) EM growing continuing to outpace that of DM. We estimate the majors' market share in EM is about half their market share in DM. **This will not drive a major change in industry dynamics however, in our view, with the majors likely to remain by far the dominant players** given the strength and depth of their catalogues, while we note that they have been investing more aggressively into indies & local artists, particularly in EM.

As a result, we do not foresee a major change in royalty rates (50%-55% on average) in the medium term given the competitive dynamics in the recorded music and streaming market as discussed above. We believe record labels will have a vested interest in keeping a minimum level of competitive tension among platforms. Over time, we believe major labels' artist discovery, curation, and marketing capabilities and high market share concentrations should allow them to defend the status quo in future negotiations.

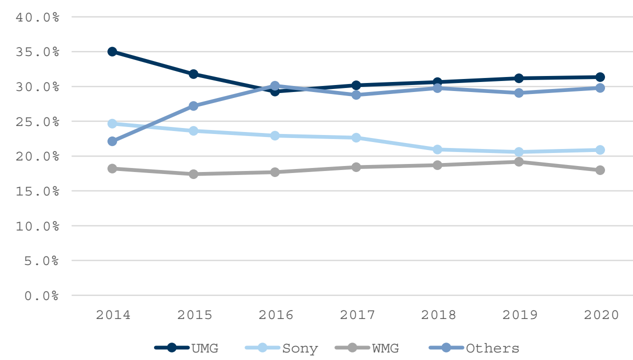
Exhibit 26: The top 3 labels accounted for 70.2% of the recorded music market

Global recorded music market (US$) shares, 2020



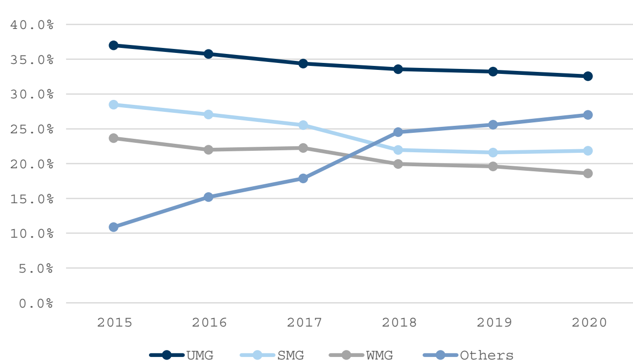
Source: Company data, Goldman Sachs Global Investment Research, IFPI Global Music Report 2021

Exhibit 27: The top 3 labels lost a combined 70bp market share in 2020, but have been broadly stable since 2016



Source: Company data, Goldman Sachs Global Investment Research, IFPI Global Music Report 2021

Exhibit 28: The top 3 majors accounted for 73% of global streaming revenues in 2020, down 140bp yoy



Source: Company data, Goldman Sachs Global Investment Research, IFPI Global Music Report 2021

Exhibit 29: The 3 majors command 88% of streams on Spotify's Top 50 playlist

Spotify Global Top 50 playlist market share as of April 13, 2021

Spotify's Global Top 50 playlist				
Labels	# of Streams	# of Artists	Market Share %	
			# of Streams	# of Artists
UMG	50,312,749	21	42%	42%
Sony	36,209,646	13	30%	26%
WMG	19,180,547	9	16%	18%
Others	13,958,298	7	12%	14%

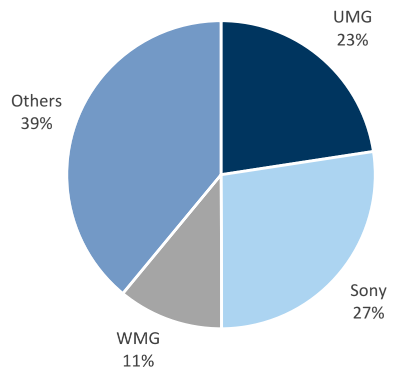
Source: Data compiled by Goldman Sachs Global Investment Research, Spotify

Top 3 publishers gained share in 2020

Similar to record labels, we believe music publishing companies will continue to play an important role in the promotion, placement, marketing and administration of musical compositions of which they own/share the rights with songwriters, particularly given the complexity and fragmentation of the songwriting royalty collection systems around the world. Here, we believe the top 3 publishers will also retain their dominant position given the strength of their catalogues, which is extremely difficult to replicate. While leading independent publisher BMG has significantly expanded its catalogue (owned/and or distributed) in recent years to 3mn songs, representing as many songs as UMGP and twice as many as Warner Chappell, we calculate that BMG generates 3x less revenue per song than the two major publishers.

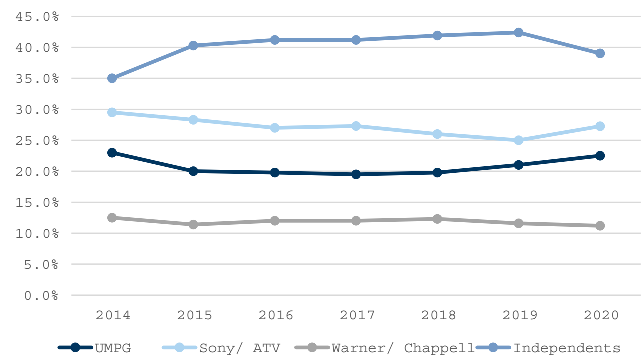
We estimate that the top 3 publishers gained c.300bp of market share in 2020, recouping most of the share lost between 2015-19.

Exhibit 30: The Top 3 Publishers commanded 61% market share in 2020
Global music publishing market (US$) shares, 2020



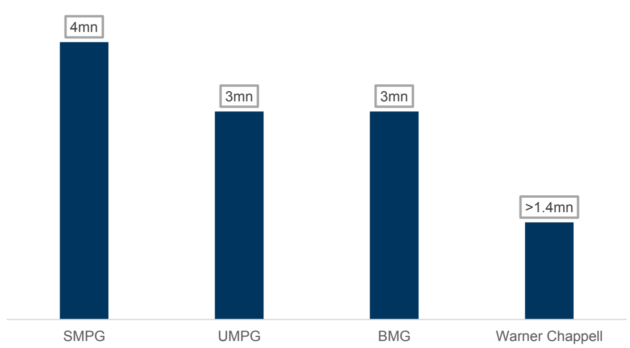
Source: Music & Copyright, OMDIA, company data, Goldman Sachs Global Investment Research

Exhibit 31: We estimate that the top 3 publishers gained 300bp of share in 2020 after 6 years of share erosion



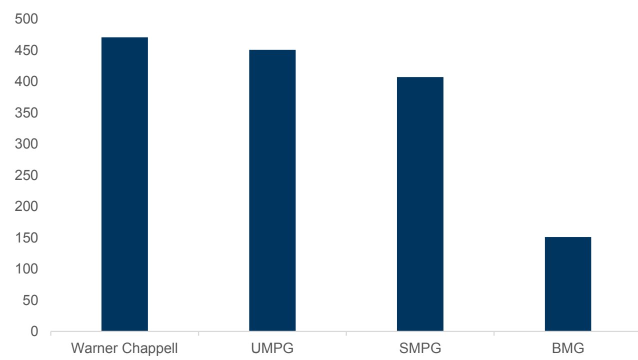
Source: Music & Copyright, OMDIA, Company data, Goldman Sachs Global Investment Research

Exhibit 32: While leading independent publisher BMG represents as many songs as UMGP and twice as many as Warner Chappell...
Number of songs owned and/ or distributed by major publisher



Source: Company data, Music Business Worldwide (SMPG)

Exhibit 33: ... the top 3 publishers generate far more revenue per song
Revenue per song, 2020 (US$)



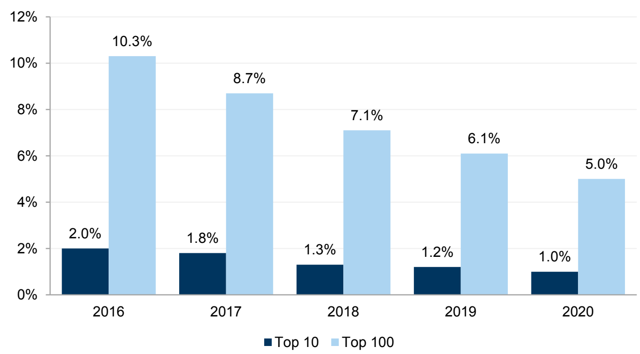
Source: Company data, Goldman Sachs Global Investment Research

The rise of indie labels and artists

The global expansion of streaming platforms and social media/online video channels has played a key role in democratising music, significantly lowering the cost of music production, distribution and discovery. This has led to an exponential growth in the number of artists and volume of music content being uploaded onto DSPs, particularly at the entry-level - Spotify notes that 60,000 songs are being uploaded onto its platform every day, representing an increase of 50% in less than 2 years. This has in part contributed to the dilution of majors' share of streams on platforms such as Spotify as discussed earlier (78% in 2020 vs. 87% in 2017 on Spotify). Furthermore, this trend has also given greater power to artists who are increasingly seeking greater control over their careers and copyrights, leading to the proliferation of *a la carte* label and artists services as an alternative to the traditional record label deal. Going forward, we expect the share of indies and 'artist direct' to continue growing, given the role of digital in democratising music and empowering artists. However, we do not expect this will change the core dynamics of the music market and impact the majors' market dominance. In fact, the sheer amount of content being created each day also makes it increasingly more difficult for an average artist to break through and achieve sustainable success.

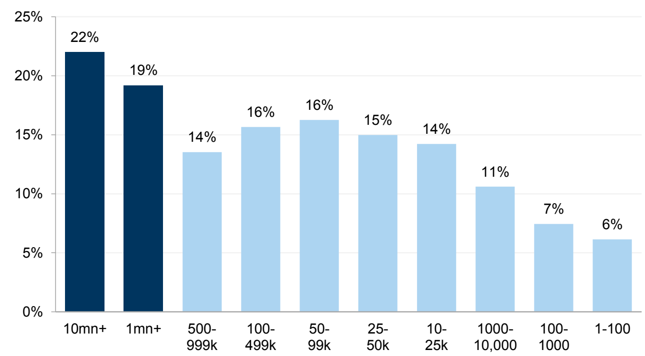
Meanwhile, we note that the majors have been investing more aggressively in the indie space to take advantage of these trends. SMG has been the most aggressive with the acquisition of the Orchard in 2015 and more recently AWAL from Kobalt. UMG also acquired Ingrooves in 2019, while WMG's independent arm ADA launched its Latin division (overseeing Latin music in US, Spain and Portugal) and expanded into Asia (China, South Korea, Japan, SE Asia) in 2020. The majors have also recently expanded their artist services capabilities for independent artists. UMG announced the launch of Virgin Music Label & Artist Services in February 2021, which offers artist and label services. SMG on the other hand acquired AWAL (Artists Without A Label) in February 2021, which is a leading provider of artist services.

Exhibit 34: The surge in digital music content has diluted the weight of top 10/100 tracks ...
Most-played tracks' share of yearly audio streams (UK)



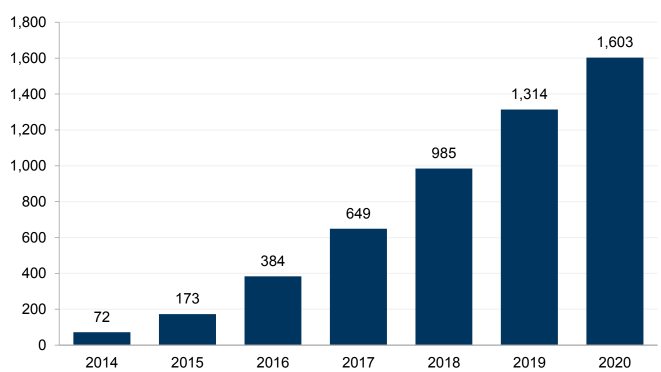
Source: BPI

Exhibit 35: Songs with >1m+ streams have increased the most...
2020 YoY growth in tracks by number of streams (UK)



Source: BPI

Exhibit 36: ... with the number of tracks with >10mn streams growing exponentially since 2014
Number of tracks played >10mn times per year (UK)

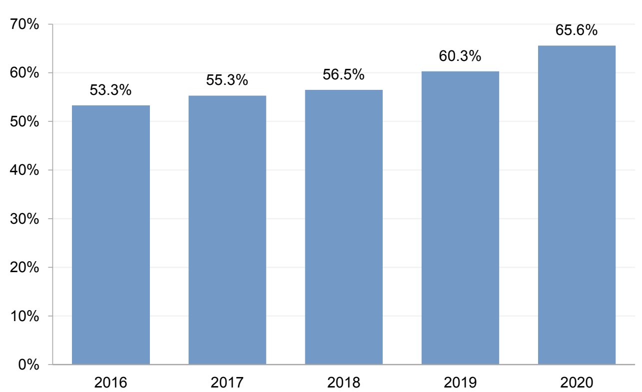


Source: BPI

Music catalogues: valuations on the rise as competition intensifies

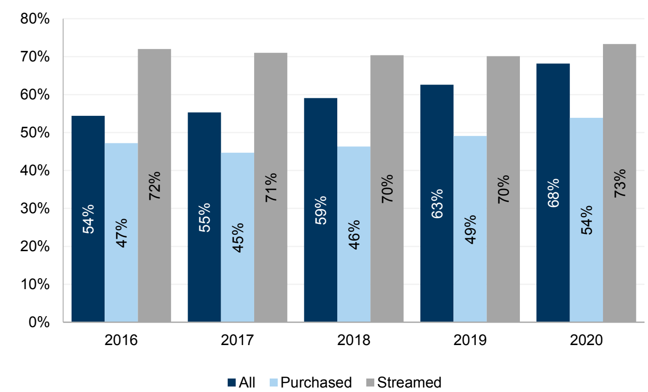
The rise of streaming has led to a shift in consumption towards catalogue music, a trend which has continued in 2020 in markets such as the UK where catalogue's share of audio track streams increased to 65.6% from 60.3% in 2019. As a result, we believe the value of catalogues will continue to increase and **competition for copyrights intensify further**, with a significant amount of capital being deployed into the space. The main players driving consolidation in recent years include Hipgnosis Songs, Concord MG, Round Hill, Kobalt Music Capital, Reservoir Media, Lyric Street, and Primary Wave. More recently, traditional record labels have also stepped up their investments in catalogues: we estimate that UMG spent a record €900mn on catalogue acquisitions in 2020, following €200mn in 2019. The proposed listing of UMG will give the company greater flexibility to buy other catalogues, in our view, with the company having recently announced that it secured a new 5-year €3bn financing line. Meanwhile, BMG announced a partnership with KKR to invest US$500mn each in music copyrights, with scope for greater capital deployment. BMG's CEO commented that there is a current pipeline of deals with an aggregate value of US$1bn, consisting mainly of deals under US$50mn and one catalogue worth more than US$100mn, with no shortage of repertoire coming to the market over the next 5 years.

Exhibit 37: In the UK, catalogue's share of audio track streams has been steadily rising...
Catalogue's share of audio track streams - UK



Source: BPI

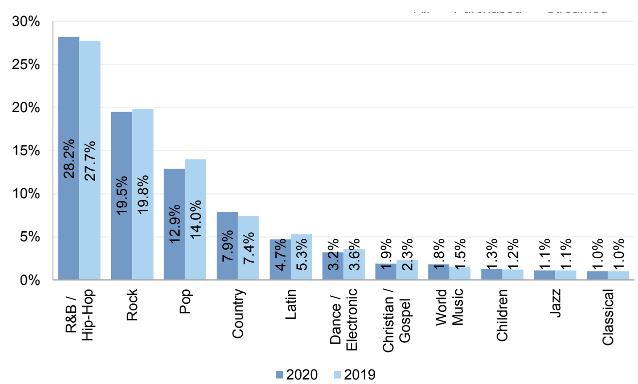
Exhibit 38: ... while catalogue share of album sales is c.20ppt higher in streaming than in physical/ downloads
Catalogue share in album sales



Source: BPI

Exhibit 39: During the pandemic, R&B consolidated its leadership position, while several genres lost market share, particularly Pop and Latin

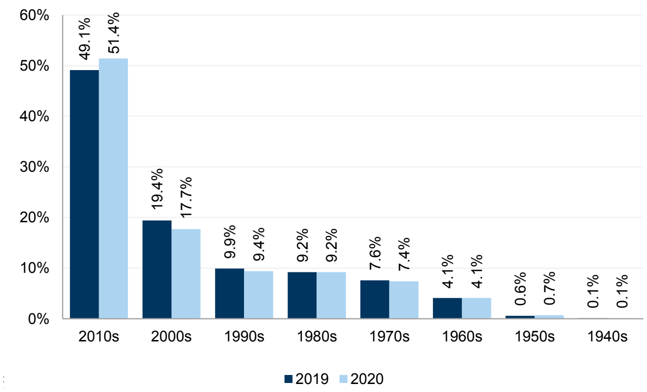
Breakdown of total volumes (excludes others)



Source: MRC Data

Exhibit 40: Around 50% of catalogue streams in 2020 were songs from 2010s, which suggests that an average song today would generate around half of its cash flows in the first 10 years

Catalogue streams by decade (2010s exclude the last 18 months)



Source: BPI

Exhibit 41: Growing amount of capital has been invested into music catalogue acquisitions...

Companies	Date	Funding for catalog acquisitions
BMG/KKR	Apr-21	Committed **$1bn in total t**o spend solely on catalog, with no upper limit on capital
Hipgnosis Songs Fund	Feb-21	Raised **c.$426mn in 2020** and **$100mn in 2021** through equity and increased revolving credit facility **from $400mn to $600mn** in 2021 for potential catalog acquisitions
Round Hill	Nov-20	Raised **$291mn** of funding to finance acquisitions of individual catalogs
Concord	Aug-20	**Raised $600mn through debt offering** partially to fund acquisitions
WMG	Dec-19	Launched Tempo Music Investments in partnership with Providence Equity Partners - **$650mn fund** (equity and debt) focused on catalog acquisitions
Primary Wave	Nov-19	Launched its IP Fund 2 to support further catalog acquisitions raising **> $500mn to-date,** which followed its first IP Fund in 2016 with **> $300mn in funds**

Source: Music Business Worldwide

Exhibit 42: ... with the number of (disclosed) transactions increasing significantly over the last year...

Date	Company	Catalogue from Kobalt Music Copyrights	Amount	Details
Mar-21	SMG	Paul Simon	Undisclosed	Sony acquired Paul Simon's entire publishing catalogue
Jan-21	KKR	Ryan Tedder	$200mn	KKR acquired a majority stake in Ryan Tedder's music catalog
Jan-21	Hipgnosis	Neil Young	$150mn	50% of Neil Young's global copyrights and income interestes (both publsiher and writer's share)
Dec-20	UMG	Bob Dylan	$300-400mn	Publishing rights of Bod Dylan's songwriting catalog (around 600 copyrights)
Dec-20	Primary Wave	Stevie Nicks	c.$80mn	Primary Wave acquired a 80% stake in Stevie Nicks' publishing catalog
Nov-20	Hipgnosis	Catalogue from Kobalt Music Copyrights	$323	33,000 songs / cuts in songs from Kobalt, acquired at 18.3x blended acquisition multiple on historical income. It excludes the SONGS publishing catalogue
Sep-20	Reservoir	Sorted Noise	Undisclosed	Reservoir acquired Sorted Noise's catalogue of masters and publishing copyrights
Sep-20	Spirit Music	Tim McGraw	Undisclosed	Spirit Music Group acquired a number of Tim McGraw's master recordings
Aug-20	Concord	Imagine Dragons	> $100mn	Concord Music Publishing acquired the back catalog of Imagine Dragons (writer's and co-publishing share in perpetuity, with theother co-publishing share owned by UMG)
Aug-20	Spirit Music	Kara DioGuardi	Undisclosed	Spirit Music Group acquired a large portion of Kara DioGuardi's publishing catalog, excluding future works
Jun-20	UMG	Young Money Entertainment	> $100mn	UMG reportedly acquired Young Money Entertainment catalogue, includings records from Drake, Nicky Minaj, and Young Money
May-20	Reservoir	Shapiro Bernstein	Undisclosed	Reservoir acquired Shapiro Bernstein, including > 16,000 copyrights
Aug-20	Concord	Pop Publisher Pulse	> $100mn	Concord Music Publishing bought a majority stake in Pop Publisher Pulse from Fujipacific Music
Aug-19	Reservoir	Chrysalis Records	Undisclosed	Reservoir acquired Chrysalis Records, including both its music publishing and recorded music operations (> 20,000 recordings)
Jul-19	WMG	Forza Music	Undisclosed	WMG acquired the Slovakian Entertainment company Forza Music, including the former state-run record company OPUS with a large portion of the country's music releases produced over 1960-1990s
May-19	WMG	Gene Autry Music Group	Undisclosed	Warner Chappell Music acquired Gene Autry Music Group comprising of 4 publishing companies with catalogues containing > 1,500 songs
Nov-18	SMG	EMI	$2.3bn	Sony acquired the final 60% of EMI Music Publishing from an investor consortium for $2.3bn. It owned 40% beforehand, 10% acquired in Jul 2018 for $287.5mn from Micheal Jackson Estate
Jan-18	Primary Wave	Marley's songs and Blue Mountain Music	$50mn	Primary Wave acquired 80% of Island Records' share in two publishing catalogues
Jan-18	Round Hill	Carlin Music	$240mn	Round Hill acquired independent publisher Carlin Music, with > 100,000 copyrights
Dec-17	Kobalt	SONGS Music Publishing	$160mn	Kobalt Capital acquired the catalogue of SONGS Music Publishing
Jun-17	Concord	Imagem	> $500mn	Concord fully acquired Imagem Music Group, with copyrights of 250,000 works, implying multiple of c.12x on gross profit (net publisher share)
Apr-15	Concord	Bicycle	Merger	Concord merged with The Bicycle Music Company, and simultaneously raised $100mn to fund further growth in rights acquisitions. The combined entity owned copyrights of 60,000 songs at the time

Source: Music Business Worldwide

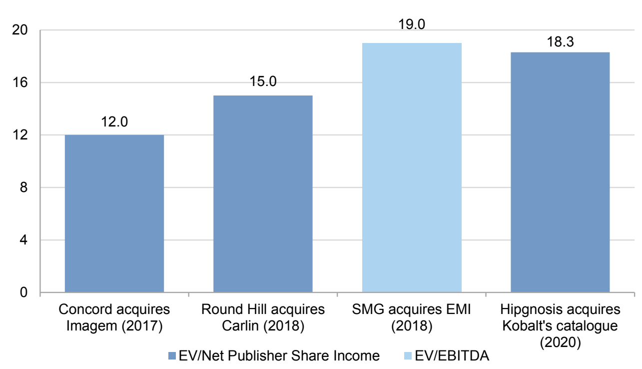
Exhibit 43: Traditional labels such as UMG have also been more aggressive at acquiring catalogues

Date	Type of deal	Artist
March 1, 2021	Exclusive global publishing deal	Holly Humberstone
February 25, 2021	Exclusive global publishing deal	Julia Michaels
January 13, 2021	Exclusive global publishing deal	Louis Bell
December 7, 2020	Exclusive global publishing deal	Bob Dylan
October 27, 2020	Exclusive global administration deal	Kendrick Lamar
September 10, 2020	Global strategic partnership (new music & film projects)	Daddy Yankee
July 21,2020	Exclusive global publishing deal	Brandi Carlie, and Tim and Phil Hanseroth
July 8, 2020	Exclusive global publishing deal	Luke Combs
May 19, 2020	Exclusive global publishing deal	Kenny Chesney
February 6, 2020	Exclusive global publishing deal	Taylor Swift
November 19, 2019	Exclusive global administration deal	DaBaby
November 4, 2019	Global administration deal	Robbie Williams
September 4, 2019	Exclusive global administration deal	Alicia Keys
August 1, 2019	Exclusive global administration deal	Maren Morris
June 26, 2019	Exclusive global publishing deal	Idris Elba
June 4, 2019	Exclusive global co-publishing deal	Rosalia
May 21, 2019	Exclusive global administration deal	Logic
May 2, 2019	Exclusive global recording agreement	Tiwa Savage

Source: Company data

Exhibit 44: Transaction multiples have markedly risen over the past 3 years for music assets...

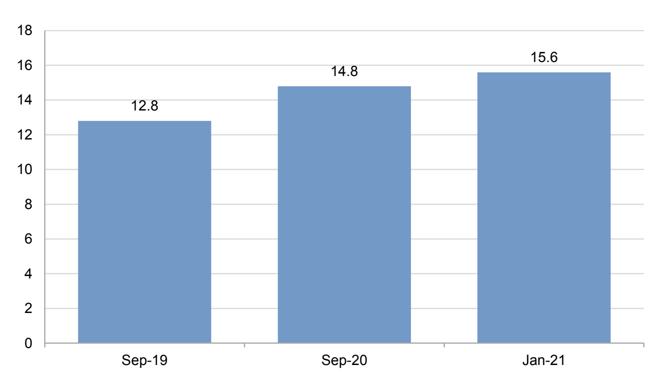
Transaction multiples



Source: Company data, Music Business Worldwide

Exhibit 45: ... as reflected in the evolution of Hipgnosis' blended catalogue acquisition multiples

Based on net publisher share



Source: Company data

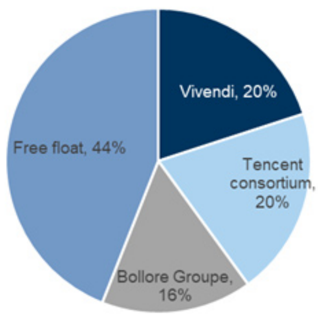
UMG a major beneficiary of music streaming growth; raising valuation to €44 bn from €30 bn in our Vivendi SOTP

As the world's largest music entertainment company, we see Vivendi's UMG as a major beneficiary of the secular growth of music streaming, and improved monetisation of music content through new licensing opportunities, technological innovation and regulatory changes. Notably, we believe that UMG has significant competitive advantages vs. peers, through its scale, global reach, strength of catalogue and unique commercial relationships with DSPs (including Tencent, one of its largest shareholders). As such, we believe UMG is well positioned to maintain its strong leadership position in the overall industry, delivering sustainable-top line growth and margin expansion: we forecast a revenue CAGR of 10%, an EBITDA CAGR of 15% and a FCF CAGR of 19% over 2022-25. With the proposed spin-off of UMG (link) likely, in our view, to provide a catalyst for value crystallisation of UMG, and increase its strategic and financial flexibility, we revisit our valuation framework for the asset. Previously, we valued UMG on the basis of Vivendi's UMG stake sale to Tencent. However, we are now moving to a DCF valuation approach, for the reasons noted above. Our UMG valuation increases to €44 bn from €30 bn, leading our Vivendi 12-month price target to increase to €36.2 from €32.1. Excluding our estimated value of €3.2bn for UMG's stakes in Spotify, Tencent Music and VEVO, our UMG valuation implies 21.9x EV/adjusted 2022E EBITDA, a c.13% premium to WMG (based on the April 19 close).

UMG spin-off: Overview and implications

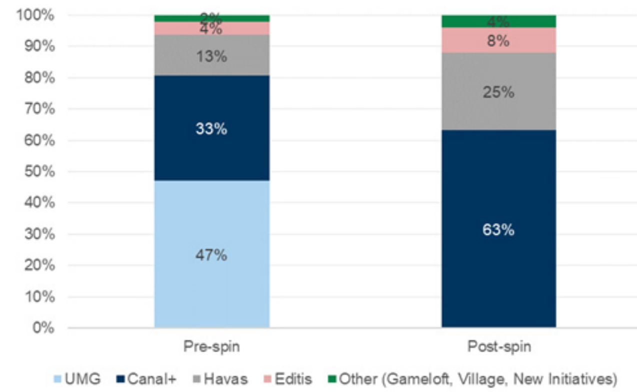
Vivendi announced on February 13, 2021 that it plans to distribute 60% of UMG's share capital to shareholders in the form of a special dividend and list the shares on Euronext Amsterdam before the end of the year. The EGM on March 29 approved an amendment to the by-laws which now allow Vivendi to distribute dividends, interim dividends, reserves, or premiums by way of the delivery of assets in kind, including financial securities. Last week, Vivendi announced at 1Q21 results that it will seek shareholder approval for the proposed-spin off of UMG at the AGM on June 22, with the transaction expected by the company to be completed in Fall 2021. Following the proposed transaction, Vivendi would own 20% of UMG, Bollore Groupe c.17% and the Tencent consortium 20%, implying a free float of c.43%.

Exhibit 46: UMG's shareholder structure post proposed spin-off should consist of Vivendi (20%), the Tencent consortium (20%), Bollore Groupe (c.17%) and remaining free float (c.43%)
UMG ownership structure post proposed spin



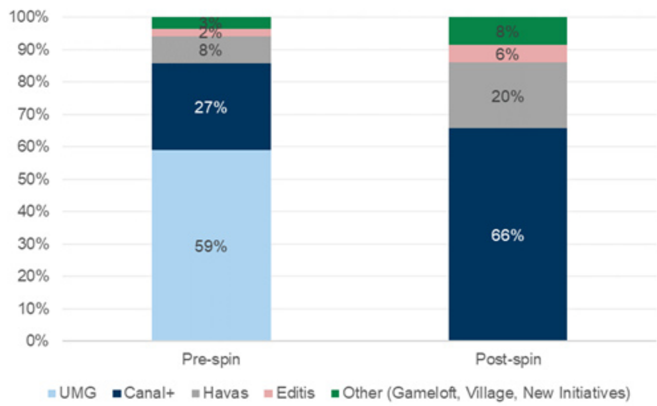
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 47: Canal+ would account for 63% of Vivendi's proforma revenue post UMG's spin...
Vivendi revenue split 2021E - current vs. post-spin (proforma)



Source: Goldman Sachs Global Investment Research

Exhibit 48: ...and 66% of Vivendi's proforma EBITDA
Vivendi EBITDA split 2021E - current vs. post-spin (proforma)



Source: Goldman Sachs Global Investment Research

While we await further details around the spin-off, we note the following valuation considerations for UMG that are relevant for Vivendi shareholders:

- **Capital structure:** Vivendi noted at its FY20 results that UMG had net debt of €1.9 bn at end-2020, including bank credit facilities and inter-company accounts, implying a proforma net cash position for Vivendi of €0.3 bn (this includes €2.8 bn of proceeds from the sale of an additional 10% stake in UMG in January 2021). Vivendi subsequently announced on March 26 that UMG had reached an agreement regarding a five-year, €3 bn financing line.
- **Equity stakes**: UMG owns minority stakes in Spotify (GSe 3.5%) and Tencent Music (GSe c.1%) as well as a 49.4% stake in Vevo, which we value altogether at €3.2bn.
- **Taxation:** Vivendi stated on its FY20 earnings call that the UMG distribution would be treated as a special dividend under French tax rules. The distribution will therefore be subject to withholding taxes which could vary significantly based on the circumstances of individual investors. For Vivendi, UMG qualifies as a long-term investment under French tax rules and would therefore benefit from a reduced

capital gains tax rate of 3.5%, half of which could be offset by Vivendi's tax loss carryforwards, as per management. For more details see the section below.

Tax implications for Vivendi of a UMG spin-off

While we look for further clarity from Vivendi on the tax implications of the planned UMG spin (details likely to be provided as part of the publication of the AGM proposals on May 18th), particularly around the amount of distributable reserves to be allocated to the distribution, we highlight the following tax rules applicable to distributions by French companies:

For Vivendi's shareholders:

- Vivendi stated on its FY20 earnings call that the distribution would be treated as a special dividend under French tax rules, with the applicable tax rate determined by where investors are based, and applicable to the full amount of the distribution.
- Withholding taxes vary significantly based on the circumstances of individual investors (see Exhibit 49). For example, for individuals and non-parent companies outside France receiving dividends from a French company, a dividend withholding tax of 15% is generally applicable, with certain jurisdictions such as the UAE and Qatar exempt from paying such tax. For French companies, the dividends paid to a transparent entity by a company which is subject to corporate tax are declared at the level of the entity, but are taxed at the level of the shareholder (i.e. dividend taxes are not withheld).
- In France, distributions in kind are generally made against a company's distributable reserves. If the amount of distributable reserves is not sufficient to cover the size of the distribution, premiums can be used to make up the difference. Distributable reserves are subject to dividend taxes while premiums are not. Therefore, the key variables that determine the taxable base are: **(1) the size of distributable reserves** (on which we await further clarity from the company); and **(2) the value of UMG on the day of listing** (the point at which valuation is determined).

Exhibit 49: Withholding tax rates on distributions by French corporates

Country of residence	WHT on individuals and non-parent companies
United Kingdom	15%
United States	15%
Germany	15%
Italy	15%
Spain	15%
Sweden	15%
Luxembourg	15%
Netherlands	15%
Russia	15%
Singapore	15%
Australia	15%
Brazil	15%
Canada	15%
China	10%
Hong Kong	10%
Japan	10%
Oman	0%
Qatar	0%
United Arab Emirates	0%

Source: PWC, Deloitte

For Vivendi:

UMG qualifies as a long-term investment for Vivendi under French tax rules, as Vivendi has owned at least 5% of UMG's shares for at least 24 months. Therefore, 88% of any capital gains would be exempt from capital gains tax, implying an effective tax rate of 3.5% (that is, the French corporate tax of 30% applicable to a share of fees and expenses of 12% of the gross capital gains, calculated as any excess value above the book value of UMG, which amounted to €3.4 bn as of end-2020). Half of this could be offset by Vivendi's tax loss carryforwards, according to management's comments at its FY20 results.

Raising our UMG valuation to €44 bn in our Vivendi SOTP, and moving to a DCF methodology

With the proposed spin-off of UMG (link) likely, in our view, to provide a catalyst for value crystallisation of UMG, and increase its strategic and financial flexibility, we revisit our valuation framework for the asset. Previously, we valued UMG on the basis of Vivendi's UMG stake sale to Tencent. However, we are moving to a DCF valuation approach, for the reasons noted above. Our UMG valuation increases to €44 bn (€40.8 bn ex stakes in Spotify, Tencent Music and VEVO) from €30 bn, leading our Vivendi 12-month price target to increase to €36.2 from €32.1.

Our DCF model reflects high-level assumptions, and is primarily based on our revised global music market model; our forecasts beyond 2025 should not be referenced as estimates for these years. We model 6% pa average revenue growth over 2026-30E (stage 2 of our DCF), as growth moderates from our explicit forecast of 10% pa average revenue growth over 2021-25E (stage 1). We assume EBITA margin continues to gradually improve through to 2030E, driven by positive mix shift to streaming and operating leverage. We assume stable capex as a percentage of revenue, at 0.6% post 2025E.

Exhibit 50: Our DCF-based valuation of UMG (ex stakes) is €40.8 bn

UMG DCF

UMG (€mn)	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
UMG streaming revenue	**1,483**	**1,971**	**2,596**	**3,325**	**3,833**	**4,446**	**5,135**	**5,906**	**6,792**	**7,742**	**8,453**	**9,132**	**9,771**	**10,409**	**11,091**
% growth	55%	33%	32%	28%	15%	16%	16%	15%	15%	14%	9%	8%	7%	7%	7%
% of total streaming market	36%	34%	33%	33%	34%	34%	33%	33%	34%	35%	34%	34%	34%	33%	33%
Download revenue	**755**	**685**	**479**	**428**	**413**	**343**	**277**	**237**	**199**	**171**	**140**	**115**	**94**	**77**	**63**
% growth	-26%	-9%	-30%	-11%	-4%	-17%	-19%	-14%	-16%	-14%	-18%	-18%	-18%	-18%	-18%
Physical revenue	**1,225**	**1,156**	**949**	**1,011**	**945**	**851**	**765**	**689**	**620**	**558**	**491**	**432**	**380**	**335**	**294**
% growth	-13%	-6%	-18%	7%	-7%	-10%	-10%	-10%	-10%	-10%	-12%	-12%	-12%	-12%	-12%
Licence & other (artist services)	**725**	**747**	**804**	**870**	**776**	**829**	**888**	**941**	**997**	**1,057**	**1,099**	**1,143**	**1,189**	**1,237**	**1,286**
% growth	0%	3%	8%	8%	-11%	7%	7%	5%	5%	5%	4%	4%	4%	4%	4%
Publishing	**792**	**854**	**941**	**1,052**	**1,186**	**1,220**	**1,330**	**1,450**	**1,566**	**1,691**	**1,776**	**1,864**	**1,958**	**2,056**	**2,158**
% growth	5%	8%	10%	12%	13%	3%	9%	6%	6%	6%	5%	5%	5%	5%	5%
Merchandising	**313**	**283**	**273**	**489**	**292**	**385**	**462**	**508**	**539**	**571**	**594**	**618**	**643**	**668**	**695**
% growth	13%	-10%	-4%	79%	-40%	32%	20%	10%	6%	6%	4%	4%	4%	4%	4%
Intercompany eliminations	**-26**	**-23**	**-19**	**-16**	**-13**	**-13**	**-14**	**-14**	**-15**	**-15**	**-16**	**-16**	**-16**	**-17**	**-17**
Total UMG revenues	**5,267**	**5,673**	**6,023**	**7,159**	**7,432**	**8,061**	**8,844**	**9,716**	**10,698**	**11,775**	**12,537**	**13,289**	**14,018**	**14,765**	**15,570**
% growth	3%	8%	6%	19%	4%	8%	10%	10%	10%	10%	6%	6%	5%	5%	5%
UMG streaming EBITA	**148**	**256**	**415**	**612**	**767**	**978**	**1,207**	**1,462**	**1,756**	**2,072**	**2,296**	**2,516**	**2,730**	**2,951**	**3,192**
% margin	10.0%	13.0%	16.0%	18.4%	20.0%	22.0%	23.5%	24.8%	25.9%	26.8%	27.2%	27.6%	27.9%	28.3%	28.8%
% incremental margin	2.8%	22.1%	25.5%	26.9%	30.5%	34.5%	33.2%	33%	33%	33%	32%	33%	34%	35%	36%
UMG physical + download EBITA	**174**	**163**	**112**	**79**	**111**	**92**	**71**	**63**	**56**	**50**	**43**	**37**	**32**	**28**	**24**
% margin	9%	9%	8%	6%	8%	8%	7%	7%	7%	7%	7%	7%	7%	7%	7%
UMG licensing & other margin	**73**	**75**	**80**	**87**	**78**	**83**	**89**	**94**	**100**	**106**	**110**	**114**	**119**	**124**	**129**
% margin	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
UMG Publishing EBITA	**225**	**245**	**273**	**308**	**351**	**365**	**402**	**442**	**482**	**526**	**556**	**587**	**621**	**656**	**693**
% margin	28%	29%	29%	29%	30%	30%	30%	30%	31%	31%	31%	31%	32%	32%	32%
UMG merchandising EBITA	**24**	**22**	**21**	**38**	**22**	**30**	**36**	**39**	**41**	**44**	**46**	**48**	**49**	**51**	**38**
% margin	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
Total UMG adj EBITA	**644**	**761**	**902**	**1,124**	**1,329**	**1,548**	**1,804**	**2,108**	**2,460**	**2,826**	**3,050**	**3,303**	**3,552**	**3,809**	**4,076**
% margin	12.2%	13.4%	15.0%	15.7%	17.9%	19.2%	20.4%	21.7%	23.0%	24.0%	24.3%	24.9%	25.3%	25.8%	26.2%
Restructuring charges	40	28	40	39	43	20	20	20	20	20	20	20	20	20	20
Working capital*	9	(106)	(2)	(266)	(448)	(129)	(106)	(97)	(96)	(94)	(113)	(133)	(154)	(165)	(174)
Capex	(49)	(63)	(110)	(73)	(65)	(71)	(71)	(73)	(75)	(82)	(84)	(86)	(87)	(89)	(91)
Taxes	(193)	(228)	(271)	(326)	(372)	(433)	(505)	(590)	(689)	(791)	(854)	(925)	(994)	(1,067)	(1,141)
FCF	**451**	**392**	**559**	**498**	**487**	**935**	**1,142**	**1,368**	**1,620**	**1,878**	**2,019**	**2,179**	**2,335**	**2,508**	**2,689**
% growth	21%	-13%	43%	-11%	-2%	92%	22%	20%	18%	16%	8%	8%	7%	7%	7%
Period				-	-	-	1	2	3	4	5	6	7	8	9
Discount factor				-			0.93	0.87	0.80	0.75	0.70	0.65	0.60	0.56	0.52
Discounted FCF				-	-		1,062	1,184	1,304	1,406	1,406	1,412	1,408	1,406	1,403
Long Term WACC =															**+7.50%**
Long term growth rate =															**+2.50%**
Undiscounted terminal value															55,132
Discounted terminal value															28,756
Enterprise value ex stakes (€ mn)															**40,749**
Value of stakes in SPOT, TME, Vevo															3,329
Total UMG enterprise value															**44,077**

* net change in working capital incl. net advances/recoupments

Source: Company data, Goldman Sachs Global Investment Research

We also show below a sensitivity analysis of our UMG valuation (EV) using a WACC range of 6.5%-8.5% and a long-term growth range of 1.5%-3.5%, in line with the range of DCF assumptions across our media coverage. Overall, these ranges imply an EV range of c.€33-69 bn.

Exhibit 51: Our DCF sensitivity gives an EV range of €33.4bn-€68.5bn.
UMG EV - sensitivity analysis

UMG EV ex stakes (€mn)		WACC				
		6.5%	7.0%	7.5%	8.0%	8.5%
Terminal growth%	1.5%	43,603	39,318	35,756	32,748	30,177
	2.0%	47,216	42,165	38,041	34,612	31,717
	2.5%	51,732	45,645	40,784	36,814	33,513
	3.0%	57,538	49,995	44,137	39,457	35,635
	3.5%	65,279	55,587	48,327	42,687	38,182

Total UMG EV (€mn)		WACC				
		6.5%	7.0%	7.5%	8.0%	8.5%
Terminal growth%	1.5%	46,828	42,542	38,980	35,973	33,401
	2.0%	50,440	45,390	41,266	37,836	34,941
	2.5%	54,956	48,869	44,008	40,039	36,737
	3.0%	60,762	53,219	47,361	42,681	38,859
	3.5%	68,504	58,812	51,551	45,912	41,406

Source: Goldman Sachs Global Investment Research

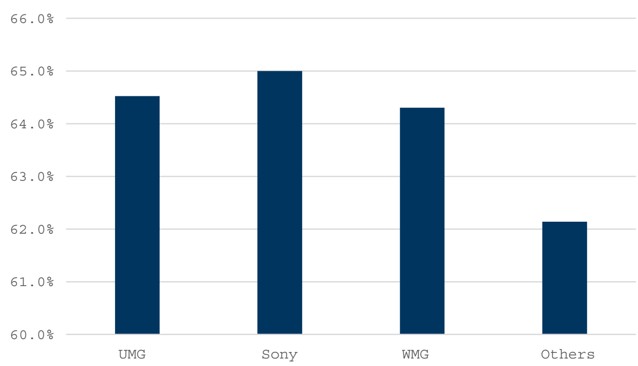
Benchmarking UMG against Warner Music Group

Following the announcement of the proposed spin-off of UMG, we believe that the market will become increasingly likely to anchor its views on UMG to publicly traded comp WMG. Excluding our estimated value of €3.2bn for UMG's stakes in Spotify, Tencent Music and VEVO, our UMG valuation implies 21.9x EV/adjusted 2022E EBITDA, a 13% premium to WMG (based on the April 19 close). All else equal, we believe a premium to WMG is justified given:

- **UMG's position as the clear market leader,** with 31.4% share of the recorded music market. WMG is the third largest player with 18.0% share. In music publishing, UMG is the second largest player with 22.5% share, ahead of WMG with 11.2% share. Overall, UMG generates nearly twice as much revenue as WMG. We believe this scale gives UMG a **competitive advantage in attracting talent, stronger bargaining power with distributors, and access to more data than any of its competitors something that is crucial in an increasingly digital world.** Meanwhile, UMG's **broad and close relationships with artists and songwriters also suggests to us that UMG could get the first option with regard to the most sought-after upcoming catalogue sales.** We note that this is an area where UMG has invested more aggressively than WMG in recent years, in our view, which should further strengthen UMG's market share in the future.
- **Streaming now accounts for 64.5% of recorded music revenue for UMG** (64.3% for WMG), and the company' strength in R&B/Hip Hop and Pop music (with artists such as Taylor Swift, Drake, Eminem, Billie Eilish, Justin Bieber, Lady Gaga, etc.) puts it in a particularly strong position in streaming, where **UMG over-indexes in terms of market share at 32.6%** (120bp higher than its recorded music share), compared with WMG at 18.6% (60bp higher than its recorded music share) (Exhibit 53). UMG's share is even greater amongst top artists, controlling 11 of the top 20

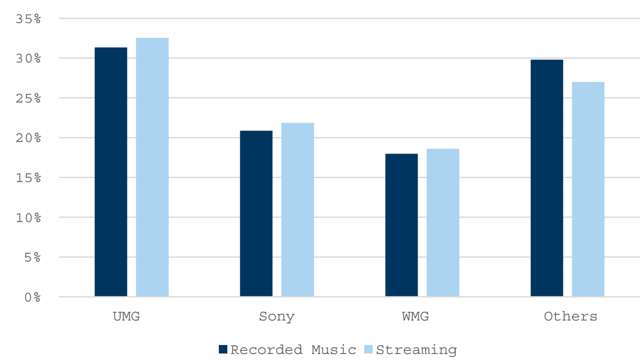
artists on Spotify by monthly listeners (as of March 2021) and over 40% share of streams among Spotify's Global Top 50 playlist (as of April 2021).

Exhibit 52: Streaming accounts for 64.5% of UMG's recorded music revenue
Streaming share of recorded music revenue, 2020



Source: Company data

Exhibit 53: UMG's market share over-indexes in streaming
Market share as % of total recorded music market and streaming (2020)



Source: IFPI Global Music Report 2021, Company data

Exhibit 54: UMG accounts for 11 of the top-20 artists by monthly listeners on Spotify
Top-20 artists by monthly listeners on Spotify (as of March 2, 2021)

Artist	Monthly listeners (mn)	Label	Parent
The Weeknd	75.3	Republic Records	UMG
Dua Lipa	63.4	Warner Records	WMG
Justin Bieber	63.2	Def Jam Recordings	UMG
Ariana Grande	61.6	Republic Records	UMG
Ed Sheeran	56.6	Asylum Records	WMG
J Balvin	55.4	Universal Music Latin	UMG
Drake	50.9	Republic Records	UMG
Billie Eilish	49.6	Interscope Records	UMG
Bad Bunny	48.1	Other	Other
Taylor Swift	47.4	Republic Records	UMG
Travis Scott	46.7	Other	Other
Maroon 5	46.5	Interscope Records	UMG
Sia	46.2	Atlantic Records	WMG
David Guetta	45.8	Atlantic Records	WMG
Shawn Mendes	45.2	Island Records	UMG
DaBaby	45.2	Interscope Records	UMG
Marshmello	45.1	Other	Other
Khalid	45.1	RCA Records	Sony
Selena Gomez	45.0	Interscope Records	UMG
Rihanna	44.0	Other	Other

Source: Spotify, Goldman Sachs Global Investment Research

Exhibit 55: UMG commands 42% share of streams among the Top-50 chart on Spotify
Spotify Global Top-50 playlist market share as of April 13, 2021

Spotify's Global Top 50 playlist				
Labels	# of Streams	# of Artists	Market Share %	
			# of Streams	# of Artists
UMG	50,312,749	21	42%	42%
Sony	36,209,646	13	30%	26%
WMG	19,180,547	9	16%	18%
Others	13,958,298	7	12%	14%

Source: Spotify, Goldman Sachs Global Investment Research

- UMG, on our forecasts, has a **slightly faster growth profile** than WMG (on Visible Alpha Consensus Data) over 2022-24E, with revenue/EBITDA CAGRs of 10%/17% vs. WMG 9%/15%, **a higher EBITDA margin** (21% vs. 20% for WMG in 2022E, calculated in the case of UMG as EBITDA adjusted for lease liabilities and corporate cost to make it more comparable to WMG's adjusted OIBDA) and **higher cash conversion** (64% vs. 62% for WMG in 2022E) - see Exhibit 56. In particular, we believe UMG should achieve a structurally higher margin than WMG, given its greater economies of scale and lower exposure to lower-margin artist services/merchandising activities (see Exhibit 57).

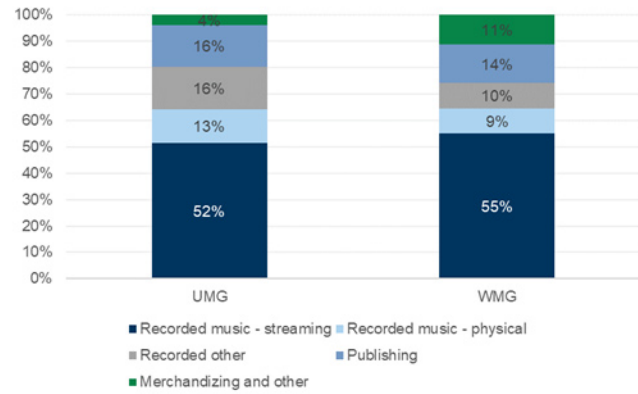
Exhibit 56: UMG has a faster growth profile with higher margin and FCF generation than WMG, as well as higher market share in recorded music and publishing
UMG vs. WMG

Comparison	UMG	WMG
CY22E Revenues (€mn)	8,844	4,771
CY22E EBITDA (€mn)	1,849	933
EBITDA margin	21%	20%
CY22E FCF (€mn)	1,196	604
Revenue CAGR 2021-23E	10%	11%
Revenue CAGR 2022-24E	10%	9%
EBITDA CAGR 2021-23E	17%	20%
EBITDA CAGR 2022-24E	17%	15%
FCF CAGR 2022-24E	19%	21%
FCF conversion 2022E	64%	62%
Market share - Recorded Music	31%	18%
Market share - Music Publishing	23%	11%

WMG forecasts are based on Visible Alpha Consensus Data

Source: Music & Copyright, IFPI Global Music Report 2021, Company data, Goldman Sachs Global Investment Research, Visible Alpha Consensus Data

Exhibit 57: UMG has lower exposure to lower-margin artist services/ merchandising segment than WMG
UMG vs. WMG revenue split (CY20)



Source: Company data

- **UMG has a stronger relationship with the DSPs, in our view, particularly Spotify and Tencent Music.** While the most recent renewal of UMG's deal with Spotify (July 22, 2020) does not have material financial implications for either side in our view, with royalty rates likely to have remained unchanged, we believe that the new agreement further strengthens their relationship, with UMG to deepen its role as an early adopter and tester of new Spotify products. This was also the first explicit endorsement of Spotify's two-sided marketplace strategy by one of the major music companies. Meanwhile, Tencent is now the second largest shareholder of UMG with a 20% stake (it has a c.10% stake in WMG), with TME also owning a minority stake in UMG Greater China and the latest deal renewal including a broader strategic commercial partnership between these companies. We believe this could contribute to the further development of the Chinese music market, and increase UMG's market share in China (we estimate its current market share at 5%-10%) through the co-signing of artists, joint artist collaborations and raising the profile of western musicians in China (international repertoire accounts for 20% of consumption). Last year, UMG had, for the first time, the largest break out male and female solo artists in China.
- **UMG will have a higher free float** (c.43%) than WMG (17%) if the transaction is completed as currently planned.

Benchmarking UMG against a broader comp set

For illustrative purposes, we show an implied valuation range for UMG, derived from the trading multiples of a group of listed content peers (music, entertainment, games), and adjusted for growth. This indicates an enterprise valuation range of €37.5-39.7 bn.

Exhibit 58: UMG's broader comp set

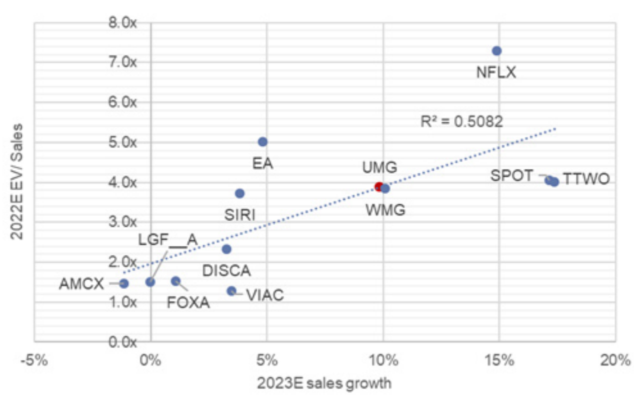
Company	Price Ccy	Last Price	Sales CAGR (21E-23E)	EV/ Sales 2021E	EV/ Sales 2022E	EV/ Sales 2023E	EBITDA CAGR (21E-23E)	EV/ EBITDA 2021E	EV/ EBITDA 2022E	EV/ EBITDA 2023E
UMG			**10%**				**17%**			
Peers										
Sirius XM Holdings	USD	6.28	4%	4.1x	3.7x	3.5x	4%	13.0x	11.9x	11.2x
Spotify Technology S.A.*	USD	280.37	18%	4.8x	4.1x	3.5x	nm	nm	nm	nm
Tencent Music Entertainment Group	USD	17.83	30%	4.9x	3.5x	2.6x	45%	23.9x	15.0x	10.2x
Warner Music Group*	USD	36.57	11%	4.3x	3.8x	3.5x	20%	23.2x	19.4x	16.2x
Peer Average			**16%**	**4.5x**	**3.8x**	**3.3x**	**23%**	**20.0x**	**15.4x**	**12.5x**
Media/Content Production										
Walt Disney Co.	USD	187.43	13%	5.3x	4.2x	nm	45%	39.6x	22.4x	nm
ViacomCBS Inc.	USD	38.40	3%	1.3x	1.3x	1.2x	3%	7.9x	7.2x	7.1x
Lions Gate Entertainment Corp.	USD	16.36	3%	1.6x	1.5x	nm	2%	12.2x	11.2x	nm
AMC Networks Inc.	USD	52.29	0%	1.6x	1.5x	1.3x	-3%	6.5x	6.1x	5.7x
Discovery Inc.	USD	36.37	5%	2.6x	2.3x	2.1x	9%	8.5x	7.4x	6.2x
Netflix Inc.*	USD	554.44	15%	8.5x	7.3x	6.3x	27%	37.9x	29.8x	23.4x
Fox Corp.	USD	37.68	4%	1.8x	1.5x	1.4x	-9%	7.6x	6.8x	7.3x
Media/Content Production Average			**6%**	**3.3x**	**2.8x**	**2.5x**	**11%**	**17.2x**	**13.0x**	**10.0x**
Gaming										
Activision Blizzard Inc.	USD	96.0	1%	7.5x	6.4x	6.7x	1%	16.9x	14.4x	15.1x
Electronic Arts Inc.	USD	139.63	4%	5.3x	5.0x	4.6x	4%	14.7x	13.9x	12.8x
Take-Two Interactive Software Inc.	USD	177.91	16%	4.8x	4.0x	3.3x	7%	19.5x	17.5x	15.6x
Ubisoft Entertainment SA	EUR	65.78	3%	3.3x	2.9x	3.1x	-3%	14.8x	13.5x	15.2x
Zynga Inc.	USD	10.59	9%	3.8x	3.3x	2.8x	12%	15.8x	13.3x	11.2x
Nintendo	JPY	63,070.0	-6%	3.9x	4.1x	4.2x	-8%	11.5x	12.1x	12.9x
Gaming Average			**4%**	**4.8x**	**4.3x**	**4.1x**	**2%**	**15.5x**	**14.1x**	**13.8x**

*based on Thomson Reuters consensus estimates

*Spotify, WMG and Netflix are based on Thomson Reuters consensus data

Source: Goldman Sachs Global Investment Research, Thomson Reuters Eikon

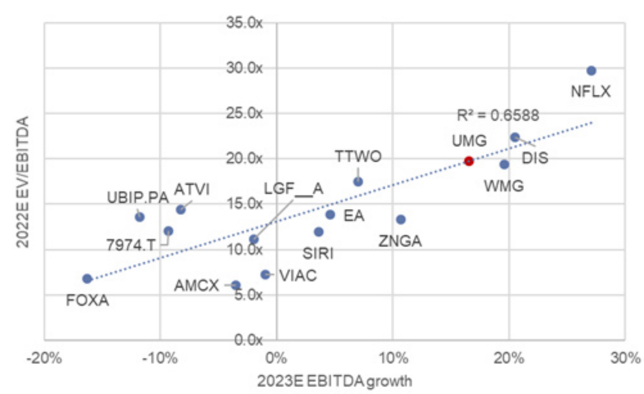
Exhibit 59: 2022E EV/sales vs. 2023E sales growth



Spotify, WMG and Netflix are Thomson Reuters consensus

Source: Thomson Reuters Eikon, Goldman Sachs Global Investment Research

Exhibit 60: 2022E EV/EBITDA vs. 2023E EBITDA growth



Spotify, WMG and Netflix are Thomson Reuters consensus

Source: Thomson Reuters Eikon, Goldman Sachs Global Investment Research

Exhibit 61: We derive a valuation range for UMG of €37.5-39.7 bn based on a group of listed content peers (music, entertainment, games) and adjusted for growth
Implied UMG EV based on music, entertainment and gaming comps

		UMG EV ex stakes (EUR bn)	Total UMG EV (EUR bn)
Implied 2022E EV/ Sales	3.9x	34,272	37,496
Implied 2022E EV/ EBITDA	19.6x	36,379	39,603

Source: Goldman Sachs Global Investment Research

Sensitivity analysis of Vivendi's value per share

Following the proposed spin-off, Vivendi should consist of the non-UMG operating assets (Canal+, Havas, Editis, Gameloft, Vivendi Villages and New Initiatives), a 20% stake in UMG and other minority stakes in media/telecom listed and private companies (Banijay, Mediaset, Mediaset Espana, Multichoice, Prisa and Telecom Italia).

We show below a sensitivity analysis of Vivendi's valuation per share based on: (1) a range of values for UMG; and (2) a range of holding company discounts applied to Vivendi on a pro-forma basis (i.e., Vivendi including its 20% stake in UMG). This gives a **range of values per share of €22.5-€39.9, representing 21% downside to 39% upside vs. the April 19 close of €28.6**. We do not reflect the proposed spin-off of UMG in our estimates or price target.

In our sensitivity analysis, the low end of our UMG target 2022E EV/EBITDA range is based on the valuation of €30 bn for UMG (i.e. €26.8 bn ex stakes) implied by the stake sale to Tencent (which Vivendi has set as a minimum), which would imply a 26% discount to WMG on 2022E EV/EBITDA. The upper end of the range is based on a 24% premium to WMG, implying 24x 2022E EV/EBITDA for UMG (EV €44.7 bn ex stakes). We calculate that every 5% premium or discount to WMG represents a move of €1.2 per share for Vivendi.

We use a range of 20%-50% SOTP discount, compared to various European holding companies' NAV discounts of -39% to +4%. We estimate that every 5% move in the SOTP discount would represent a variation of €0.9 per share for Vivendi.

Exhibit 62: Our sensitivity analysis shows a range of Vivendi valuations per share of €22.5-€39.9, representing 21% downside to 39% upside vs. April 19 close of €28.6
Sensitivity analysis - Vivendi implied value per share

UMG 2022E EV/EBITDA	14.4x	16.3x	18.2x	20.2x	22.1x	24.0x
Implied premium/discount to WMG	-26%	-16%	-6%	4%	14%	24%
Implied UMG EV ex stakes (€mn)	**26,776**	**30,360**	**33,944**	**37,528**	**41,112**	**44,696**
EV of remaining Vivendi assets (€mn)	**20,087**	**20,804**	**21,520**	**22,237**	**22,954**	**23,671**

		UMG 2022E EV/EBITDA ex stakes					
Implied Vivendi market value (€mn)		**14.4x**	**16.3x**	**18.2x**	**20.2x**	**22.1x**	**24.0x**
VIV proforma holdco discount	**50%**	25,322	27,831	30,339	32,848	35,357	37,866
	40%	27,331	29,911	32,491	35,072	37,652	40,233
	30%	29,339	31,991	34,643	37,296	39,948	42,600
	20%	31,348	34,072	36,795	39,519	42,243	44,967

		UMG 2022E EV/EBITDA ex stakes					
Implied Vivendi value per share (€)		**14.4x**	**16.3x**	**18.2x**	**20.2x**	**22.1x**	**24.0x**
VIV proforma holdco discount	**50%**	22.5	24.7	26.9	29.2	31.4	33.6
	40%	24.3	26.6	28.8	31.1	33.4	35.7
	30%	26.0	28.4	30.8	33.1	35.5	37.8
	20%	27.8	30.2	32.7	35.1	37.5	39.9

		UMG 2022E EV/EBITDA ex stakes					
Implied upside to Vivendi's current price (€28.6)		**14.4x**	**16.3x**	**18.2x**	**20.2x**	**22.1x**	**24.0x**
VIV proforma holdco discount	**50%**	-21%	-14%	-6%	2%	10%	17%
	40%	-15%	-7%	1%	9%	17%	25%
	30%	-9%	-1%	7%	16%	24%	32%
	20%	-3%	6%	14%	23%	31%	39%

Source: Goldman Sachs Global Investment Research.

Exhibit 63: European holding companies trade at a range of -39% to +4% of NAV
European holdco discounts (as of April 20th, 2021)

Holding companies	NAV discount
Eurazeo	35%
Groupe Bruxelles Lambert (GBL)	35%
Industrivarden	2%
Investor AB	16%
Kinnevik	-4%
Wendel	39%
Prosus	33%
EU holding companies	20%

Source: Company data, Goldman Sachs Global Investment Research

Our Vivendi price target increases to €36.2

We raise our 12-month price target for Vivendi to €36.2 from €32.1, implying 27% upside. This reflects the increased valuation of UMG (as discussed above) in our SOTP, as well as a higher holdco discount of 15% (compared to 10% previously; mainly to reflect a modest increase in complexity particularly as it relates to potential tax implications of the spin).

We reiterate our Buy rating on Vivendi (on CL). We see significant rerating potential of the shares from (i) the value crystallisation of UMG given the planned transaction, (ii) better market appreciation of Canal+ as the turnaround becomes increasingly more visible and (iii) the narrowing of the SOTP discount as the recent UMG spin-off announcement (as opposed to previous plans of an IPO) will likely assuage investor concerns over capital allocation.

Exhibit 64: Our 12-month SOTP-based price target for Vivendi is €36.2
Vivendi SOTP

VIVENDI - SUM OF THE PARTS (€mn unless otherwise stated)									
Assets	**% owned**	**EV/Sales 2022E**	**EV/EBITA 2022E**	**EV/EBITDA 2022E**	**EV at 100%**	**Vivendi's share**	**Value per share**	**% of Total EV**	
Canal Plus Group	**100.0%**	**1.1x**	**11.5x**	**8.4x**	**6,375**	**5,978**	**5.3**	**12%**	**Based on listed peers, growth adjusted/ purchase prices**
Canal+ France	100.0%	0.5x	15.2x	6.5x	1,301	1,301	1.2	3%	
Canal+ Overseas	100.0%	2.1x	10.1x	8.5x	2,417	2,417	2.1	5%	
VSTV	49.0%	1.4x	11.1x	8.0x	272	133	0.1	0%	
StudioCanal	100.0%	0.9x	12.6x	8.0x	393	393	0.3	1%	
M7	100.0%	2.3x	9.1x	8.4x	1,000	1,000	0.9	2%	
Free TV (C8, Cstar, iTele)	100.0%	3.4x		na	465	465	0.4	1%	
ITI Neovision	51.0%	1.0x	7.7x	7.0x	526	268	0.2	1%	
Universal Music Group	**80.0%**	**5.0x**	**24.3x**	**22.6x**	**44,008**	**35,852**	**31.8**	**72%**	
UMG ex stakes	80.0%	4.6x	22.5x	20.9x	40,784	32,627	29.0	65%	DCF-based
UMG stakes									
Spotify	3.5%				41,384	1,448	1.3	3%	Market value
Tencent Music Entertainment	0.9%				40,383	363	0.3	1%	GS target market cap
Vevo	49.4%	*2.0x*			2,859	1,412	1.3	3%	Based on listed peers, growth adjusted
Havas	**100.0%**	**0.8x**	**8.6x**	**6.5x**	**1,726**	**1,726**	**1.5**	**3%**	**In-line with peers**
Other consolidated assets					**2,127**	**2,068**	**1.8**	**4%**	**Based on purchase prices**
Editis	100.0%	1.1x		13.5x	900	900	0.8	2%	
See Tickets	100.0%				140	140	0.1	0%	
Digitick	100.0%				80	80	0.1	0%	
Wengo	90.0%				50	45	0.0	0%	
Gameloft	100.0%	2.7x			686	686	0.6	1%	
Dailymotion	80.0%				271	217	0.2	0%	
Other stakes						**5,174**	**4.6**	**10%**	**GS target / listed values / purchase prices**
Mediaset	28.8%				2,786	802	0.7	2%	
Mediaset Espana	1.0%				2,125	21	0.02	0%	
Multichoice	12.0%				3,198	384	0.34	1%	
Lagardere	28.3%				2,961	838	0.7	2%	
Others						3,129	2.8	6%	
Other adjustments									
Holding costs	100.0%				(960)	(960)	(0.9)	-2%	
TOTAL ENTERPRISE VALUE					**53,277**	**49,838**	**44.2**	**100%**	
Holdco discount @ 15%						(7,476)	(6.6)		
Net debt incl pension and liability						(1,547)	(1.4)		
TOTAL EQUITY VALUE						**40,816**			
Number of shares (mn)						1,126			
Sum-of-the-part valuation per share (€)						**36.2**			

Source: Company data, Goldman Sachs Global Investment Research

Key risks

Key risks to our view and price target on Vivendi include:

- slowdown in streaming growth and market-share loss for UMG;
- higher-than-expected increase in Artist and Repertoire costs pressuring UMG's margins;
- cord-cutting and greater competition for sports rights at Canal+;
- corporate governance; and,
- value-destructive M&A or strategic misstep.

Company implications

Vivendi (covered by Lisa Yang, Buy, on CL; last close €28.63) - Please see previous section.

Sony (covered by Minami Munakata, Buy, on CL; last close ¥11,840)

We see Sony as a major beneficiary of the growth of music streaming and new monetisation opportunities through Sony Music, the world's second largest record label and largest music publisher. We believe Sony Music present compelling competitive advantage given potential synergies with the rest of the Sony portfolio (such as video games) as illustrated by the recent Travis Scott concert on Fortnite. Meanwhile, we note that Sony Music has also been investing more aggressively in the distribution and labels services segment with the acquisition of the Orchard or AWAL in recent years, which places them in a good position to benefit from the faster growth of the indie artist/ label space. We maintain our Buy rating (on Conviction List).

Our 12-month target price of ¥16,100 is based on a SOTP with FY3/22E as our valuation base year. Key risks include PS5 hardware sales volume falling short of our forecasts, a steep decline in CMOS image sensor market share, and a fall in ASPs.

Tencent Music Entertainment (covered by Piyush Mubayi, Neutral, last close $18.61)

We believe TME should continue to benefit from online audio expansion in China and retain its strong leadership position. Its unique diversified model has evolved to include music subscription, digital music sales, sub-licensing fees and social entertainment - e.g. online karaoke and live streaming. Looking ahead, we expect new business initiatives such as TMELive (live concert), Kuwo Changting (long-form audio), QQ Music live streaming and upgraded Tencent Musician Program to contribute incremental revenue growth.

In the music streaming subscription segment alone, we expect TME's share of global paid music subscribers to increase to 19% by 2030 from 13% in 2020, becoming the second largest player in the market. Meanwhile, the recent deals between Tencent and Universal Music, which includes the acquisition of a minority stake in UMG Greater China by TME as well as a strategic commercial partnership between these players could, for example, contribute to further develop the Chinese music market through co-signings of artists, joint artist collaborations and raising the profile of western musicians in China (international repertoire accounts for 20% of consumption).

We have a Neutral rating and our 12-month P/E-based target price is US$28.4, based on 30X 2022E P/E. Key risks: 1) Increased regulation affecting the company's social entertainment business; or a more benign regulation setting the stage for growth, 2) Rise in content pricing by major label companies; 3) Ability to sustain its dominant market position amid ongoing intense competition and ever-changing tastes of vast user base, and, 4) Stronger-/weaker-than-expected execution in LFA strategies, 5) Industry churn risk, with other forms of music-centric entertainment (e.g. short videos) competing for user time spent.

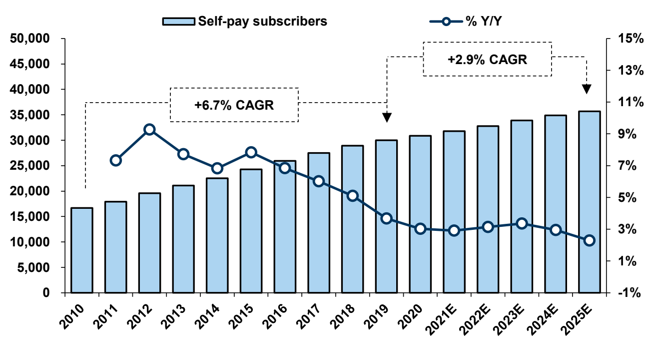
Sirius XM (covered by Brett Feldman, Sell, last close $6.30)

We believe that the faster shift to music streaming is a long-term negative for Sirius XM. In particular, we see risk to Sirius XM's subscriber growth as streaming services like Spotify and Apple Music become more popular and increasingly offer a more robust array of content (e.g. music + talk + news + sports) that is more comparable to Sirius XM's premium offering. Indeed, we expect that Sirius XM self-paid subscriber growth to slow over the coming years as more people subscribe to streaming services (instead of Sirius XM) and as these apps become more integrated within in-car infotainment systems (eliminating one of Sirius XM's most valuable competitive moats). In addition, we continue to see declines in Pandora's ad-supported listener hours as on-demand streaming leaders out innovate the company and outspend it on acquiring unique pieces of content.

We remain Sell rated on Sirius XM for three key reasons: i) High risk of disintermediation from streaming audio subscription services, ii) decelerating subscriber, revenue, EBITDA, and FCFps growth over the next five years and iii) rich valuation in the context of its decelerating growth profile and lack of visibility into capital returns (given Liberty's ~74% ownership stake). Our 12-month price target of US$5.00 is based 50% on 2021E price/FCF at 13x, 25% on 2021E EV/EBITDA at 12x, and 25% on a DCF (8.8% WACC, 2.0% TGR).

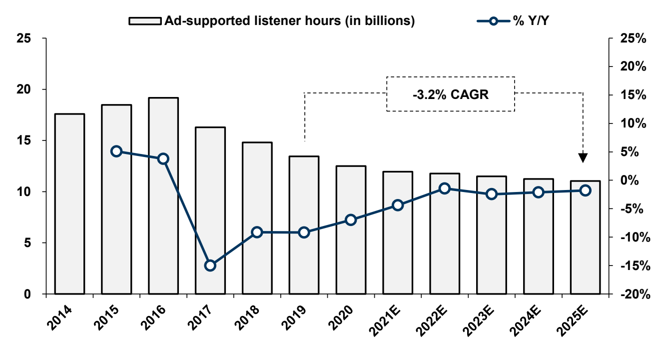
Key upside risks include stronger-than-expected new car sales, higher uptake in the used car segment, improvements in core fundamental drivers such as churn or ARPU, increased share repurchases, strategic or accretive M&A in the music or connected car space, increasing monetization of ad supported radio, and M&A.

Exhibit 65: We expect Sirius XM self-paid subscriber growth to slow
Sirius XM Self-Paid subscribers vs YoY growth



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 66: We expect Pandora ad-supported listener hours to continue to face pressures from other streaming services
Ad-supported listener hours (bn) vs. YoY growth



Source: Company data, Goldman Sachs Global Investment Research

Sonos (covered by Rod Hall, Neutral; last close $40.83)

We believe the faster shift to music streaming is a long-term positive for Sonos speaker sales. In particular, we note Sonos' software expertise in seamlessly integrating multiple voice assistants as well as streaming services is a key advantage. We also note the company has launched its own Sonos Radio service with both ad-supported and paid options although we believe this business is still nascent. Management has also commented on commercial music as an area of interest though there has been no announcement of any paid product.

However, we see the potential for near-term weakness in Sonos' core indoor products as consumer focus shifts outside of the home and H2 comps turn more difficult. Balancing this is better EBITDA production and the launch of the Sonos Roam product which is aimed at the portable outdoor market. We remain Neutral rated with a 12-month price target of US$40.

Our PT is based on 19x Q5-Q8 EV/EBITDA. Upside risks include better-than-expected consumer demand, increased pace of new product launches, and M&A. Downside risks include increased threat from higher competition, delays in product launches, and operational/execution issues.

We have suspended coverage on Spotify, Warner Music Group, Amazon and Alphabet.

Related Research

Music in the Air: The show must go on

14 May 2020

Global music revenue will drop by 25% in 2020 on our estimates, largely due to the widespread disruption to live events. In the longer term we expect the current crisis will accelerate the shift from offline to online music and the race to owning the artist-fan relationship, while increasing the relevance of social media for music discovery and promotion. We expect a strong rebound in 2021 and forecast music industry revenue to grow at c.6% CAGR 2019-2030 to reach US$142 bn by 2030, a near doubling in value.

Music in the Air: Streaming crescendo; raising our industry forecasts

4 Jun 2019

We update our music industry model and streaming market shares to reflect recent trends in the market and the 2018 recorded music figures from IFPI. We raise our forecasts for the recorded music market by an average of 4% over 2019-30, driven by faster-than-expected paid streaming adoption and positive updates from UMG, Warner Music, and Spotify.

Music in the Air - Stairway to Heaven

4 Oct 2016

The music industry is on the cusp of a new era of growth after nearly two decades of disruption. The rising popularity and sophistication of streaming platforms like Spotify and Pandora is ushering in a second digital music revolution – one that is creating value rather than destroying it like the piracy and unbundling that came before. In this first of a "double album" on the nascent industry turnaround, we lay out the converging trends that we expect to almost double global music revenues over the next 15 years to $104bn, spreading benefits across the ecosystem.

Music in the Air - Paint it Black

04 Oct 2016

The complicated web of competing interests in the music industry poses a threat to the budding turnaround that we expect to almost double global music revenue over the next 15 years. In this second of a "double album" on the music industry's return to growth, we assess the risks and scenarios that could derail our thesis, from the risk of "windowing" and exclusivity turning off fans to an acceleration in declines for physical CDs and downloads that would come too fast for streaming to fill the void in the near term.

View more on our dedicated theme page >

Disclosure Appendix

Reg AC

I, Lisa Yang, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Unless otherwise stated, the individuals listed on the cover page of this report are analysts in Goldman Sachs' Global Investment Research division.

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The Goldman Sachs Factor Profile provides investment context for a stock by comparing key attributes to the market (i.e. our coverage universe) and its sector peers. The four key attributes depicted are: Growth, Financial Returns, Multiple (e.g. valuation) and Integrated (a composite of Growth, Financial Returns and Multiple). Growth, Financial Returns and Multiple are calculated by using normalized ranks for specific metrics for each stock. The normalized ranks for the metrics are then averaged and converted into percentiles for the relevant attribute. The precise calculation of each metric may vary depending on the fiscal year, industry and region, but the standard approach is as follows:

Growth is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

For a more detailed description of how we calculate the GS Factor Profile, please contact your GS representative.

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Across our global coverage, we examine stocks using an M&A framework, considering both qualitative factors and quantitative factors (which may vary across sectors and regions) to incorporate the potential that certain companies could be acquired. We then assign a M&A rank as a means of scoring companies under our rated coverage from 1 to 3, with 1 representing high (30%-50%) probability of the company becoming an acquisition target, 2 representing medium (15%-30%) probability and 3 representing low (0%-15%) probability. For companies ranked 1 or 2, in line with our standard departmental guidelines we incorporate an M&A component into our target price. M&A rank of 3 is considered immaterial and therefore does not factor into our price target, and may or may not be discussed in research.

Quantum

Quantum is Goldman Sachs' proprietary database providing access to detailed financial statement histories, forecasts and ratios. It can be used for in-depth analysis of a single company, or to make comparisons between companies in different sectors and markets.

Disclosures

The rating(s) for Vivendi is/are relative to the other companies in its/their coverage universe: Adevinta ASA, Allegro.eu, Atresmedia, Auto Trader Group, Auto1 Group, ITV Plc, InPost, JCDecaux, M6 - Metropole Television, Mediaset, Mediaset Espana, Naspers Ltd., ProSiebenSat.1, Prosus N.V, Publicis, RTL Group, Rightmove Plc, Schibsted ASA, Scout24 AG, TF1, Vivendi, WPP Plc

The rating(s) for Sirius XM Holdings is/are relative to the other companies in its/their coverage universe: AMC Networks Inc., AT&T Inc., Altice USA Inc., American Tower Corp., Charter Communications Inc., Cogent Communications Holdings, Comcast Corp., Crown Castle International Corp., DISH Network Corp., Discovery Inc., Equinix Inc., Fox Corp., Frontier Communications Corp., Intelsat SA, Limelight Networks, Inc., Lions Gate Entertainment Corp., Lumen Technologies Inc., QTS Realty Trust Inc., SBA Communications Corp., Sirius XM Holdings, Switch Inc., T-Mobile US Inc., Uniti Group, Verizon Communications, ViacomCBS Inc., Walt Disney Co.

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The rating(s) for Sonos Inc. is/are relative to the other companies in its/their coverage universe: ADTRAN Inc., Apple Inc., Arista Networks Inc., Avaya Holdings, Cambium Networks Corp., Ciena Corp., Cisco Systems Inc., CommScope Holding, Corning Inc., Corsair Gaming Inc., Cricut Inc., Dell Technologies Inc., F5 Networks Inc., HP Inc., Hewlett Packard Enterprise Co., Infinera Corp., Jamf Holding, Juniper Networks Inc., Kornit Digital Ltd., Lumentum Holdings, NetApp Inc., Nutanix Inc., Pure Storage Inc., Qualcomm Inc., Sonos Inc., Vivint Smart Home Inc.

The rating(s) for Sony Group is/are relative to the other companies in its/their coverage universe: Bandai Namco Holdings, Capcom, CyberAgent, Konami, Nexon, Nintendo, Oriental Land, Rakuten Group, Sony Group, Square Enix Holdings, Z Holdings

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The following disclosures relate to relationships between The Goldman Sachs Group, Inc. (with its affiliates, "Goldman Sachs") and companies covered by the Global Investment Research Division of Goldman Sachs and referred to in this research.

Goldman Sachs beneficially owned 1% or more of common equity (excluding positions managed by affiliates and business units not required to be aggregated under US securities law) as of the month end preceding this report: Sonos Inc. ($41.34) and Vivendi (€29.42)

Goldman Sachs has received compensation for investment banking services in the past 12 months: Sirius XM Holdings ($6.38), Sonos Inc. ($41.34), Sony Group (¥11,840), Tencent Music Entertainment Group ($18.97) and Vivendi (€29.42)

Goldman Sachs expects to receive or intends to seek compensation for investment banking services in the next 3 months: Sirius XM Holdings ($6.38), Sonos Inc. ($41.34), Sony Group (¥11,840), Tencent Music Entertainment Group ($18.97) and Vivendi (€29.42)

Goldman Sachs had an investment banking services client relationship during the past 12 months with: Sirius XM Holdings ($6.38), Sonos Inc. ($41.34), Sony Group (¥11,840), Tencent Music Entertainment Group ($18.97) and Vivendi (€29.42)

Goldman Sachs had a non-investment banking securities-related services client relationship during the past 12 months with: Sony Group (¥11,840)

Goldman Sachs had a non-securities services client relationship during the past 12 months with: Sony Group (¥11,840), Tencent Music Entertainment Group ($18.97) and Vivendi (€29.42)

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Goldman Sachs makes a market in the securities or derivatives thereof: Sirius XM Holdings ($6.38), Sonos Inc. ($41.34), Sony Group (¥11,840) and Tencent Music Entertainment Group ($18.97)

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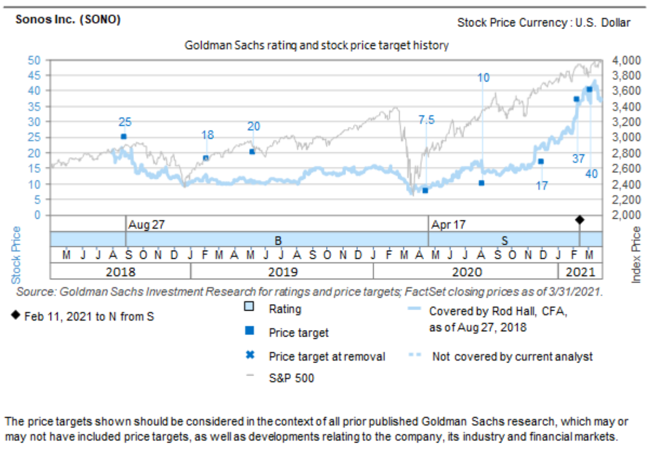
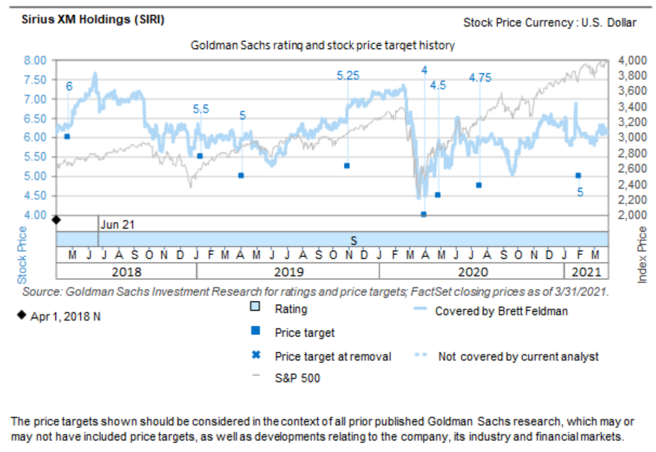
Goldman Sachs Investment Research global Equity coverage universe

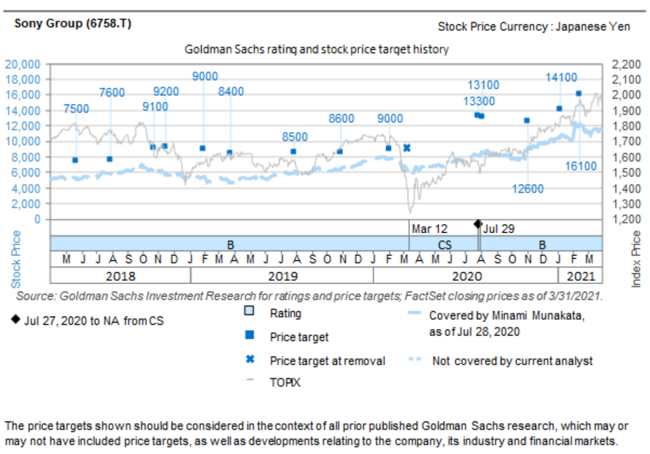
	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
Global	52%	35%	13%	65%	58%	50%

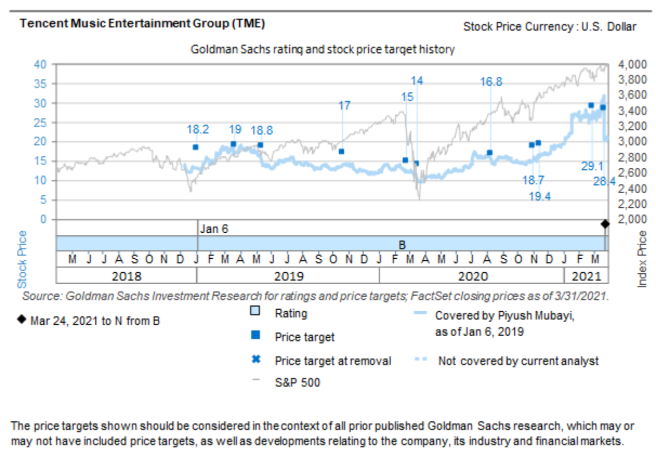
As of April 1, 2021, Goldman Sachs Global Investment Research had investment ratings on 3,027 equity securities. Goldman Sachs assigns stocks as Buys and Sells on various regional Investment Lists; stocks not so assigned are deemed Neutral. Such assignments equate to Buy, Hold and Sell for the purposes of the above disclosure required by the FINRA Rules. See 'Ratings, Coverage universe and related definitions' below. The Investment Banking Relationships chart reflects the percentage of subject companies within each rating category for whom Goldman Sachs has provided investment banking services within the previous twelve months.

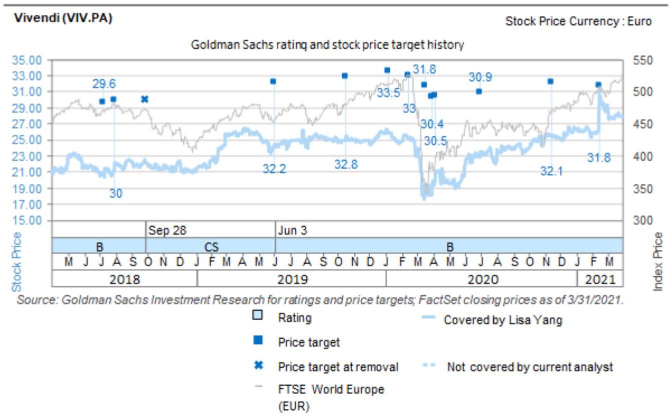
Price target and rating history chart(s)











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MINDCRAFT: OUR THEMATIC DEEP DIVES

The Great Reset

The Survivor's Guide to Disruption

The Future of Mobility

Artificial Intelligence

Cloud Computing

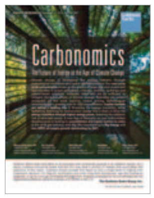
Edge Computing

Extended Reality

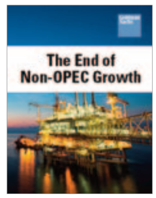
5G: From Lab to Launchpad

Climate Change

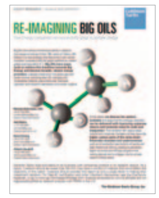
Carbonomics



The End of Non-OPEC Growth



Reimagining Big Oils



The Rise of Renewables

Shale Scale to Shale Tail

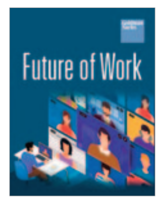
IMO 2020

The Genome Revolution

Digital Health

The Future of Finance

Future of Work



Drones

Space

Factory of the Future

eSports: From Wild West to Mainstream

Music in the Air

EVs: Back to Reality

Venture Capital Horizons

ESG Rising

Womenomics

The Chinese Consumer

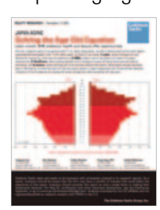
Feeding China's Changing Appetite

New China, Old China

China A Shares in Anatomy

China's Credit Conundrum

Japan Aging



Made in Vietnam

What the Market Pays For

The Competitive Value of Data

What Matters for IPOs

Top of Mind

...and more

THEMES

OUR BOOKSHELF FOR LONG-LIVED RESEARCH

COEX-2.10

YouTube

Nest + YouTube Premium

This YouTube Premium 3 month free trial promotion is open to participants in the United States who purchase and activate a Google Home Mini, Google Nest Mini, Google Home, Google Home Max, Nest Audio, Nest Hub, Hub Max, Chromecast, Chromecast Ultra, Chromecast with Google TV or Nest Wifi Point by January 15, 2022 at 11:59pm PST. Offer only available to users who are not current YouTube Premium, YouTube Music Premium or Google Play Music subscribers, have not been YouTube Premium, YouTube Music Premium, YouTube Red, or Google Play Music subscribers nor participated in a YouTube Premium, YouTube Music Premium, Google Play Music, or YouTube Red trial before. Offer must be redeemed by January 31, 2022 at 11:59pm PST. Valid form of payment required at sign-up, but you will not be charged until the trial period expires. At the end of the trial period, you will be automatically charged the individual subscription price, currently $11.99/month through YouTube billing or $15.99/month on Apple billing on a monthly recurring basis. You can cancel your trial at no charge at any time before the trial is over. No refunds for partial billing periods are available. Offer requires a Google account. Promoter: Google LLC, 1600 Amphitheatre Parkway, Mountain View, CA 94043.

COEX-2.11

← Back

Andrew Clark Original Poster 11/10/18

YouTube Premium - 6 months free offer

I recently bought a Google Home Hub and have tried to redeem the current 6 months YouTube Premium Offer. I have activated the 14 day trial, which has now expired. I have been told there is an opportunity to extend for 6 months, but when I have tried to provide a form of payment, I am told that billing will start in a months' time. Am I doing something wrong? I have received no further information on how to extend the offer up to 6 months.

Details

gh_hardware, Android, gh_hub

Locked

Upvote (726) Subscribe

Community content may not be verified or up-to-date. Learn more. Last edited 3/21/19

All Replies (17)

Cathal S Gold Product Expert 11/10/18

Hi Andrew,

Please have a look at the Google Home Help center information below and let us know if you need any further assistance.

Your Google Home Hub comes with YouTube Premium – free for 14 days. With YouTube Premium, you can enjoy YouTube and YouTube Music ad-free, plus access to YouTube Originals. After your first 14 days, you'll have the opportunity to extend your free trial for an additional 6 months.
Offer from Account & Discover tabs (Android Only) Get YouTube and YouTube Music ad-free for 6 months. Then it's just $11.99/month unless you cancel before the trial ends. New subscribers only. Restrictions and terms apply.

Find out how to redeem your offers here.

This YouTube Premium 6 month extended free trial offer is only open to US residents who set up a Google Home Hub device for the first time on October 9, 2018 or after.

- Offer must be redeemed by December 31, 2018.
- One redemption is permitted per device.
- Offer only available to customers who are not current YouTube Premium, YouTube Music Premium or Google Play Music subscribers, have not been YouTube Premium, YouTube Music Premium, YouTube Red or Google Play Music subscribers nor participated in a YouTube Red or Google Play Music trial before.
- Valid form of payment required at sign-up. At the end of the trial period, you will be automatically charged the standard subscription price, currently $11.99 per month.
- You can cancel your trial at no charge at any time before the trial is over. Offer requires a Google account.
- Full terms here: youtube.com/t/red_restrictions?gl=US.
- Promoter: Google LLC, 1600 Amphitheatre Parkway, Mountain View, CA 94043, USA.
- After your first 14 days, you'll have th
- opportunity to extend your free trial for an additional 6 months.

https://support.google.com/googlehome/answer/7126374?hl=en

Regards,
Cathal

Last edited 11/10/18

K Karl Egas 11/11/18

Offers are not valid, with the add offers only appears one offer for You Tube Premium 3 months free, but when I try to get said code is invalid.

I saw the 14 days during the setup but I don't activate, now is too late or how I can get through the Google Home app or customer service?

Last edited 11/11/18

Cathal S ★ Gold Product Expert 11/11/18

Hi again,

Please contact a Google support representative using one of the methods in the link below and hopefully the will be able to help you further.

https://support.google.com/googlehome/contactflow?hl=en

Regards,
Cathal

U User 16496730695770228892 11/16/18

Hi, I've had a ticket open for support for several weeks now on this issue and can't get a response. I've provided proof of purchase, information from my device and have spent over an hour on the phone talking with various support people. I've been told the issue is escalated, then told it was resolved, but it clearly is not because I'm already starting to get charged for YT Premium. Can someone please step up and truly help me here because it's been 5 days of waiting for an email response now with no answer.

Cathal S Gold Product Expert 11/16/18

As this is mainly a user-to-user supported community and I'm just a normal Google Home user myself then contacting an official Google Home support representative is the only advice I have. These are the only people who will be able to access your account information.

Regards,
Cathal

Last edited 11/16/18

S Sal DiStefano 11/22/18

This is very typical of Google support and why I use Alexa.

Cathal S Gold Product Expert 11/23/18

Hi,

Please do not call any support numbers posted on this forum thread they are fake/spam numbers pretending to be official Google support and should be removed shortly.

Protect your information & avoid or report spam:
https://support.google.com/groups/answer/9111283

Last edited 11/23/18

C Carlos 17 12/2/18

I was counting with the 6 months of You Tube Premium and I’m very disappointed that existing subscribers are not elegible...

Loyal customers are penalized for having the service while others get 6 months free. Makes no sense

Last edited 12/4/18

C Craig F 12/3/18

This is from the Wal-Mart Description for Google Home Mini - Chalk with YouTube Music Premium for free. https://www.walmart.com/ip/Google-Home-Mini-Chalk-with-YouTube-Music-Premium-for-free/159013183

"Your Google Home comes with YouTube Music Premium free for 14 days. With Music Premium, you can use a simple voice command to stream ad-free music at home.After your first 14 days, youll have the opportunity to extend your free trial for an additional 3 months.
https://www.walmart.com/cp/voice-shopping/9668992 "

Then further down in the description is this.

"This YouTube Premium 6 month extended free trial offer is only open to US residents who activate a Google Home Hub before December 31, 2018. Offer only available to customers who are not current YouTube Premium, YouTube Music Premium or Google Play Music subscribers, have not been YouTube Premium, YouTube Music Premium, YouTube Red or Google Play Music subscribers nor participated in a YouTube Red or Google Play Music trial before. Offer must be redeemed by December 31, 2018. Valid form of payment required at sign-up. At the end of the trial period, you will be automatically charged the standard subscription price, currently $11.99 per month. You can cancel your trial at no charge at any time before the trial is over. Offer requires a Google account. Full terms here: youtube.com/t/red_restrictions?gl=US. Promoter: Google LLC, 1600 Amphitheater Parkway, Mountain View, CA 94043, USA."

Last edited 2/5/19

7 more

J Joyce Khan 7/20/19

I would like to view July 12 th can you please help, pl and thank you

This question is locked and replying has been disabled.

COEX-2.12

Jun 21, 2019 11:54am PT

Spotify Determines That It Overpaid Publishers in 2018, Requests Refund

By Jem Aswad

Richard Drew/AP/REX/Shutterstock

When calculating the new, higher rates determined by the U.S Copyright Royalty Board — which Spotify, Amazon, Google and SiriusXM/Pandora have appealed — Spotify has determined that it overpaid publishers in 2018 and would like a refund.

"According to the new CRB regulations, we overpaid most publishers in 2018," a Spotify spokeperson said. "While the appeal of the CRB decision is pending, the rates set by the CRB are current law, and we will abide by them — not only for 2018, but also for future years in which the amount paid to publishers is set to increase significantly. Rather than collect the 2018 overpayment immediately, we have offered to extend the recoupment period through the end of 2019 in order to minimize the impact of the adjustment on publishing companies."

The rep declined *Variety*'s request to disclose how much had been overpaid; reps for the three major music publishing companies did not immediately respond to *Variety*'s requests for comment.

While Spotify may be within its rights to request the refund, the timing of it is the latest in a series of extraordinarily clumsy PR moves by the company. Since the beginning of last year, it has bungled a policy against what it deemed hateful content and artists engaging in hateful conduct — which was a thinly veiled excuse to ban R. Kelly's music from its playlists — and alienated the publishing and songwriting communities it has spent the past two years courting by appealing the CRB rate hike, which would see streaming payments rise by 44% or more over the next four years.

Some industry insiders wonder whether the damage these moves are causing to the still-nascent company's reputation outweighs whatever money they are hoping to earn by appealing the CRB rates or requesting these refunds.

"Spotify is once again showing its true colors," said a music-publishing industry source. "It's just a heartless tech company that doesn't really care about artists."

David Israelite, the CEO of the National Music Publishers Association, told *Variety*, "I find it so hypocritical for a digital service that is appealing the CRB decision to then take advantage of the parts of that decision that benefit it. I guess we shouldn't be surprised."

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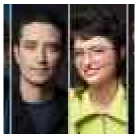

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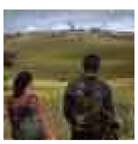

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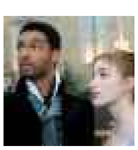

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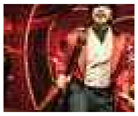

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COEX-2.13

Spotify are trying to claim back millions from publishers in new royalties row

"I guess we shouldn't be surprised."

By

24th June 2019

Spotify

Streaming giant Spotify has claimed that it has overpaid royalties to publishers and they are now seeking a refund.

Spotify is currently involved in a legal appeal against a recent ruling by the Copyright Royalty Board (CRB). The ruling, which agreed to increase streaming royalty rates for artists by 44%, was challenged earlier this year (March 10) by Spotify (along with Amazon, Goole and Pandora), a move which The National Music Publishers Association (NMPA) described as "shameful" and tantamount to "suing songwriters" back in March.

Whilst their appeal against the 44% increase is still going ahead, Spotify are now also attempting to use the new rules to their advantage by claiming that the Copyright Royalty Board's figures means they have actually overpaid publishers. They are now demanding a refund which will amount to millions of dollars in payouts from publishers.

A spokesperson for Spotify said: "According to the new CRB regulations, we overpaid most publishers in 2018. While the appeal of the CRB decision is pending, the rates set by the CRB are current law, and we will abide by them – not only for 2018, but also for future years in which the amount paid to publishers is set to increase significantly.

"Rather than collect the 2018 overpayment immediately, we have offered to extend the recoupment period through the end of 2019 in order to minimize the impact of the adjustment on publishing companies."

Spotify

Speaking to [Music Business Worldwide (MBW)](), David Israelite, CEO of the National Music Publishers Association said: "I find it so hypocritical for a digital service that is appealing the CRB decision to then take advantage of the parts of that decision that benefit it…I guess we shouldn't be surprised."

Another "senior figure" in the music publishing industry reportedly told MBW: "Spotify is clawing back millions of dollars from publishers in the US based on the new CRB rates…while appealing the [wider CRB decision]. This puts some music publishers in a negative position. It's unbelievable."

In an official statement about the original ruling earlier this year, Israelite said: "When the Music [Modernisation] Act became law, there was hope it signalled a new day of improved relations between digital music services and songwriters."

"That hope was snuffed out today when Spotify and Amazon decided to sue songwriters in a shameful attempt to cut their payments by nearly one-third…The Copyright Royalty Board's (CRB's) final determination gave songwriters only their second meaningful rate increase in over 110 years."

He continued: "Instead of accepting the CRB's decision which still values songs less than their fair market value, Spotify and Amazon have declared war on the songwriting community by appealing that decision…No amount of insecure and hollow public relation gestures such as throwing parties or buying billboards of congratulations or naming songwriters 'geniuses' can hide the fact that these big tech bullies do not respect or value the songwriters who make their businesses possible."

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